E. C. No. 877

ESTIMATES COMMITTEE
(1977-78)

(SIXTH LOK SABHA)

THIRTEENTH REPORT

MINISTRY OF INDUSTRY

HANDLOOM AND POWERLOOM INDUSTRIES

PART I—HANDLOOM INDUSTRY

Presented to Lok Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

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(1977-78)

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SUB-COMMITTEE OF ESTIMATES COMMITTEE ON HANDLOOM AND POWERLOOM INDUSTRIES

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5. Shri Nihar Laskar
6. Shri M. N. Govindan Nair
7. Shri S. B. Patil
8. Shri K. Gopal
9. Shrimati V. Jeyalakshmi.

INTRODUCTION

I, the Chairman of Estimates Committee, having been authorised by the Committee to submit the report on their behalf, present this Thirteenth Report on the Ministry of Industry—Handloom and Powerloom Industries—Part I—Handloom Industry.

2. This subject was taken up for examination by the Estimates Committee (1976-77). Necessary information was obtained and evidence of non-officials and representatives of the Ministry of Commerce (Department of Textiles), Department of Banking etc., was taken by them. The Committee, however, could not finalise their report due to the dissolution of the Lok Sabha on 18 January, 1977.

3. The Estimates Committee (1977-78) appointed a Sub-Committee to finalise the report on the subject. On the basis of the evidence tendered before the previous Committee (1976-77) and the information furnished to them as well as the evidence tendered by the Development Commissioner for Handlooms and Textile Commissioner before the Committee (1977-78) and also the additional information obtained, the Sub-Committee finalised the report at their sitting held on 20 February, 1978. The report of the Sub-Committee was considered and adopted by the Estimates Committee (1977-78) at their sitting held on 3 March 1978.

4. The Committee place on record their appreciation of commendable work done by the Chairman and Members of the Estimates Committee (1976-77) in taking evidence and obtaining information for this report.

5. The Committee wish to express their thanks to the officers of the erstwhile Ministry of Commerce (Department of Textiles), Department of Banking and Ministry of Industry for placing before them the material and information which they desired in connection with the examination of the subject and for giving evidence before the Committee.

6. The Committee also wish to express their thanks to the representatives of the All India Handlooms and Powerloom Weavers Federation, Bombay, Shri S. Banerjee, President, All India Handloom Fabrics Co-operative Marketing Society, Bombay, Shri Konda

Laxman Bapuji, Shri Lachman Das, Secretary, Delhi Handloom Co-operative Industrial Society and Shri S. V. Dhamanker ex-M.P. for furnishing memoranda to the Committee and also for giving evidence and making valuable suggestions.

7. The Committee also wish to express their thanks to all the other associations and individuals who furnished memoranda on the subject to the Committee.

8. For facility of reference, the conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A summary of the conclusions/recommendations is appended to the report (Appendix IX).

NEW DELHI;	SATYENDRA NARAYAN SINHA,
March 18, 1978.	*Chairman,*
Phalguna 27, 1899 (*S.*)	*Estimates Committee.*

CHAPTER I

INTRODUCTORY

A. Role of Handloom Industry

The handloom industry occupies an important place in the economy of the country. The industry is today the most important traditional rural and semi-urban industry and is spread over most parts of India. There are 3.8 million handlooms all over the country. More than 10 million people depend on this industry to make a living. Thus from the point of view of employment, the industry occupies a position next only to agriculture. The production of cloth from this sector is currently above 2200 million metres, out of a total of 8,200 million metres from the whole textile industry.

1.2. Although the handloom industry occupies an important position in the economy of the country, the position of the industry is far from satisfactory. The industry is suffering from lack of organisational strength, uneconomic working conditions, want of regular supply of raw materials at stable prices, shortage of credit and a lack of proper marketing conditions, not to speak of the competition from the more powerful mill and powerloom sectors. The various measures taken by the Central and State Governments for the development of this industry have failed to make a meaningful impact on socio-economic conditions of the handloom weavers with the result that the bulk of the weaving community still lives below the poverty line.

1.3. **The Committee note that the handloom industry occupies an important place in the economy of the country and from the employment point of view occupies a position next only to agriculture. The industry provides employment to more than 10 million people and produces 2200 million metres out of a total production of 8200 million metres of cloth i.e. more than 25 per cent. It is, however, a matter of regret that the industry has still not been placed on a sound footing and continues to suffer in diverse ways. The Committee would like to point out that there is an ever increasing migration of the population from the rural areas to the urban areas as the employment potential in agriculture has reached a saturation point and the potential of growth of village industries is not being fully tapped. This has created considerable problems in urban areas, generating social tensions. If this trend is to be reversed, small scale and household industries in the rural areas will have to be encouraged on a big scale. The Committee feel that**

the handloom industry being predominantly a rural based industry, can play a vital role in providing gainful employment in the rural areas. The Committee have no doubt that if the handloom industry is put on a sound footing by providing adequate inputs, credit, protection from unhealthy competition from other sector and marketing facilities etc. to the weavers, it can play a significant role in providing employment opportunities to the rural population thereby reducing their drift to the urban areas as well as meet the clothing requirements of masses.

NATIONAL TEXTILE POLICY

1.4. Clothing is a basic human need and ranks in importance next to food and shelter. A number of non-officials in their memorandum submitted to the Committee as well as in their oral evidence before the Committee have emphasised the need for the formulation of an integrated Textile Policy and for assigning specific roles to the decentralised sector *i.e.* handloom and powerloom industries in this policy.

1.5. Asked if Government have formulated an integrated Textile Policy and if so, what role has been assigned to the decentralised sector in this policy, the representative of the Ministry of Commerce (Deptt. of Textiles) stated in his evidence before the Committee:—

> "This idea of integrated Textile Policy has been there for over 2 years. During this period, the question of framing an integrated textile policy has been actively under consideration but it would take some more time before a comprehensive statement covering all aspects of textiles is issued......It has to harmonise and integrate the interests and the claims of the three major sectors of the textile industry, namely cotton textiles, woollen textiles and art-silk or man-made textiles. In each of these you have handloom and powerloom sectors and the mill sector. Therefore, it is a question of harmonising and reconciling all these things......The overall policy statement, like the one in regard to Family Planning where you have overall comprehensive policy document is not yet ready."

1.6. Regarding the role of handloom in the new policy, the representative of the Ministry of Commerce (Deptt. of Textiles) stated:—

> "In regard to handloom sector, there is already a policy resolution which has been issued. We have got the bene-

> fit of the recommendations of the Sivaraman Committee report......As far as handloom sector is concerned the integrated policy that will be evolved will take note of this decision already announced. It will be the embodiment of the one already taken."

1.7. The publication entitled "Consumer Purchases of Textile 1975" brought out by the Market Research Wing of the Textiles Committee in the Ministry of Commerce shows that the *per capita* consumption of cloth in the household sector during 1975 was 13.31 metres as against 13.62 in 1974 and 14.49 in 1973. While the consumption of textiles in the urban areas increased from 13.18 metres in 1974 to 14.19 metres in 1975 in the rural areas it declined from 13.73 metres to 13.01 metres during the same period. The decline in *per capita* consumption of Textiles was mainly felt at the lower levels both in the urban and rural areas. At the middle income levels, however, *per capita* consumption in the urban areas improved, while in the rural areas it showed a fall. At the higher income levels the *per capita* consumption improved both in urban and rural areas. It was also seen that the price structure of the textile consumed, underwent a substantial change during the last two years. In the year 1973, as much as 71 per cent of the production was priced at less than Rs. 5 per metre, whereas in the year 1975 only about 47 per cent remained in this price bracket. The overall price of Textiles purchased by the households in India during 1975 was Rs. 6.78 per metre as against Rs. 6.12 in the previous year showing an increase of 10.78 per cent. During the year 1974, the corresponding price rise was of the order of 35.40 per cent.

1.8. The Committee are surprised to note that even after 30 years of independence and completion of four Five Year Plans, Government have not yet been able to formulate an integrated national policy in respect of a basic necessity like cloth. The Committee would like to point out that the Task Force on Textile Industry had envisaged per capita consumption of 17.67 metres of cloth by 1978-79, i.e. the terminal year of the Fifth Five Year Plan. As against this, the per capita consumption of cloth in the country has gone down from 14.49 metres in 1973 to 13.62 metres in 1,974 and 13.31 metres in 1975. The fall in per capita consumption has been mainly in the rural areas and this decline has mainly been noticed in the case of persons belonging to lower income groups. It is significant to note in this context that while in 1973, 71 per cent of cloth was priced at less than Rs. 5/- per metre, this percentage dropped to 47 per cent in 1975.

1.9. The Committee would like to stress that in our country where vast majority of people are not able to meet even their minimum

requirements in respect of cloth, this fall in the per capita consumption which has mainly occurred in rural areas and also in the case of persons belonging to the lower income groups, clearly underlines the need for determined efforts on the part of the Government to provide cloth to the people at cheap rates so as to enable people belonging to the poor and vulnerable of society to meet their clothing requirements and to increase the purchasing capacity of rural people.

1.10. The Committee, therefore, recommend that Government should immediately formulate an integrated textile policy clearly laying down the role assigned to the various sectors of the Textile industry, viz., organised mills, powerlooms, handlooms and khadi etc. This policy while harmonising to the extent possible, the interest of the diverse sectors of the industry should aim at meeting the clothing needs of the people particularly those belonging to the weaker and vulnerable sectors of the society at prices which are within the reach of the common man. The Committee further recommend that the draft of the integrated textile policy should be laid on the Table of the Houses of Parliament so that the members of Parliament may get a chance to discuss the same before its finalisation.

CENSUS OF HANDLOOM

1.11. According to information furnished to the Committee the number of handlooms in the country are about 38,07,000. A statement giving the number of handlooms in each state is given at Appendix I.

1.12. Particulars of the States where the number of handlooms is 1 lakh and over are given below:

1.	Andhra Pradesh	5,97,000
2.	Assam	5,90,000
3.	Tamil Nadu	5,50,000
4.	Uttar Pradesh	5,09,000
5.	Bihar	2,01,000
6.	Manipur	2,00,000
7.	West Bengal	1,98,000
8.	Maharashtra	1,85,000
9.	Rajasthan	1,42,000
10.	Karnataka	1,37,000
11.	Tripura	1,23,000

1.13. Asked if Government have collected any statistics about the number of active handlooms actually working in each State, Government have stated in a written note submitted to the Committee:—

> "There is no precise information with regard to the number of active handlooms actually working in each state. Data obtained under the All India Handloom Board's scheme until 1957, indicated a total of about 30 lakh handlooms. No subsequent census as such was undertaken. However, State Government reported a total of 36 lakh handlooms to the Sivaraman Committee and the latest estimates made by the State Governments give a figure of 38.07 lakh handlooms."

1.14. It has been further stated by Government in the written note:—

> "In the new schemes of development now being implemented, there is provision for surveys to be carried out by the State Governments which would indicate the number of handlooms pattern of production and other details. This work has been taken up by State Governments."

1.15. The Working Group on Handlooms and Powerlooms in their report submitted in December, 1972 had observed that "It is obvious that before development schemes for the uplift of the handloom weavers are formulated, reasonable correct data should be available to Government. No attempts have been made after 1957 to collect any data, even regarding the number of handlooms installed in the country and about the actual production in the sector etc. We would recommend that a scheme should be launched in all the States for the collection of correct data on these aspects so that a realistic reappraisal could be made of the problems and schemes for development could be drawn up with confidence that the data on which these were based was reasonably correct."

1.16. Asked for the reasons for not conducting any survey of handlooms in each state since 1957 and how Government had been planning for the development of the handloom industry in the absence of basic statistics, the Development Commissioner for Handlooms stated in his evidence before the Committee:—

> "We are having a census undertaken in each of the State by the State agency and we have given certain items which will have to be reported to us. The State may also get various other types of information that they may need for their own purposes, but we need information on the

> number of looms area-wise the pattern of production, wages generally earned by the weavers in those areas, whether they are able to work throughout the year, if not for what period they are idle, what arrangements are there to supply raw material like yarn, to market the produce, how many are covered by cooperatives and how many are functioning separately and so on."

1.17. Asked if any definite time limit for completion of the survey has been laid down, the Development Commissioner for Handlooms stated:—

> "Earlier we wanted all this information by December; it has not been possible and we have extended the time till March, 1977."

The Department of Textiles have in a written reply (November, 1977) indicated the following position regarding the completion of the survey reports:—

Survey report completed	Survey yet not completed
1. Assam	1. J & K
2. Chandigarh	2. Kerala
3. Delhi	3 Gujarat
4. Goa, Daman & Diu	4. Andhra Pradesh
5. Maharashtra	5. Sikkim
6. Manipur	6. Haryana
7. Meghalaya	7. Nagaland
8. Punjab	8. Pondicherry
9. Rajasthan	9. West Bengal
10. Tamil Nadu	10. Bihar
11. Uttar Pradesh	11. Karnataka
	12. Orissa
	13. Tripura
	14. Madhya Pradesh
	15. Himachal Pradesh
	16. Mizoram.

1.18. Asked if any guidelines or *pro forma* for the collection of information has been issued to the State Governments, the Development Commissioner for Handlooms replies:—

> "It will be issued soon. I was mentioning the information which we wanted but each of the States has to undertake the census on the basis of information that it has decided to collect. The items on which information should be

> collected were agreed upon in the meeting with the State Directors of Handlooms."

1.19. Asked why the *pro forma* or guidelines for the collection of information were not issued in advance, he replied:—

> "We have not done it, we have collected *pro forma* of two or three States and then arranged to draw up one."

1.20. **The Committee regret to note that Government have no precise information about the number of active handlooms actually working, the various types of handlooms, quantity, varieties of production etc., as no statistics about the handloom industry have been collected since 1957. It is difficult to appreciate as to how planned measures for the development of the handloom industry could be taken in the best interest of the industry and the country in the absence of basic statistics.**

1.21. **The Committee, however, note that the schemes of development now being implemented for the handloom industry, census is being undertaken in each of the States by the State agency and that the census will cover information on items like number of looms, distribution of looms area-wise, pattern of production, wages earned by weavers, arrangements for supply of raw materials and marketing etc. It was earlier planned to complete the survey by December, 1976 but this date was later extended to March, 1977. However, the Committee find that even by November, 1977, the survey had been completed only in 11 States| Union Territories while the survey has yet to be completed in 16 States/Union Territories. The Committee recommend that Goverment should fix another target date for completion of the census and ensure that the census is completed by this revised date positively so that effective steps for the development of the handloom industry are undertaken in a planned manner.**

1.22. **The Committee further note that no census** pro forms **for the collection of information was circulated to the State Governments in advance and it is only now that the Government have drawn up a** pro forma **for the collection of information. The Committee fail to understand why a** pro forma **was not drawn up in advance and circulated to State Governments, so that the requisite information could be collected on a uniform pattern. The Committee, therefore, recommend that the necessary information in respect of the handloom industry should be collected on an approved** pro forma **and necessary follow-up measures taken for getting the information updated and analysed at regular intervals.**

B. Development of Handloom Industry in Five Year Plans

1.23. Emphasis on the development of handloom industry has been laid in the various Five Year Plans of the country. In the first Five Year Plan, assistance was canalised through the State Governments and a ceiling of assistance was fixed in each year in respect of each State. The ceiling was fixed on the basis of loomage and the amount of yarn consumed by the handloom industry in each state. The ceiling shares of different States, amount sanctioned and expenditure incurred during the years 1953-54, 1954-55 and 1955-56 were Rs. 1190, Rs. 1071.81 and Rs. 969.12 lakhs respectively. The State-wise ceiling shares, amount sanctioned and expenditure incurred during this period are shown in Appendix (Appendix. II) Finance was provided to the State Governments partly in the form of loan and partly in the form of grant. Development training and research activities as well as marketing were entirely assisted in the form of 'grants whereas finance for working capital and commercial operation was given in the form of loans.

1.24. During the Second Five Year Plan, against the total revised outlay of Rs. 27.03 crores for handloom industry, an actual expenditure of Rs. 29.70 crores was incurred. The total expenditure incurred by the different States in the State sector was Rs. 25.47 crores. The break-up of expenditure incurred by different States during the Second Five Year Plan period is given at Appendix (Appendix III).

1.25. During the Third Plan period, the principal aim of the handloom programme was to bring about expansion through full employment of handloom weavers and the introduction of improved techniques, loan assistance on a more liberal scale was provided to weavers, higher priority was accorded to the supply of improved appliances, weak cooperatives were revitalised and steps to stimulate exports were undertaken.

1.26. An outlay of Rs. 34 crores for handloom industry was provided. Against this, the actual expenditure was Rs. 25.37 crores only. The break-up of expenditure incurred by each State is given in Appendix (Appendix IV). During the three annual plans from 1966—69, expenditure incurred on Handloom Industry amounted to Rs. 1298.98 lakhs.

1.27. The Fourth Plan envisaged an outlay of Rs. 27.08 crores for the States and Union Territories. Under this Plan, greater efforts were to be made to obtain credit from the State Cooperative

Banks, for the handloom cooperatives. Steps to arrange regular supply of yarn and other essential raw materials at reasonable rates, to train the weavers in improved equipment and appliances, to enforce more effectively reservations on production of specified varieties of cloth already reserved for the handloom sector, to concentrate on those varieties of cloth which provide higher earnings and are required for exports, and to set up common service facilities centres for improvement of quality were taken. It was further proposed to reduce the rebate on sale and to extend certain types of assistance and facilities to the weavers outside the cooperative fold. Most of these aims could not be fully achieved due largely to the rapid growth of unauthorised powerlooms shortage of yarn, inadequacy of credit facilities, high percentage of dormancy among the handloom weavers cooperatives and marketing difficulties. The actual expenditure incurred during the plan on handloom industry was Rs. 29.02 crores.

It will be seen that during the period from 1953-54 to 1973-74 there have been wide disparities in the expenditure on handloom industry in the major handloom State compared to the number of handlooms during the four Plan periods as indicated in the Table below.

(Rs. in Lakhs.)

Name of State	No. of handlooms	During the 1st Plan	Second Plan	Third Plan	Three Annual Plans	Fourth Plan
Andhra Pradesh. (Including Hyderabad)	5·97 lakhs	134·43 84·50	430·35	360·81	177·07	267·00
Assam	5·90 „	14·93	44·13	69·80	31·53	88·91
Tamil Nadu	5·50 „	279·97	718·43	750·32	430·69	1003·46
U.P.	5·09 „	90·82	226·58	179·73	[illegible]9·00	272·99
Bihar	2·01 „	65·32	184·96	104·93	37·96	15·68
Manipur	2·00 „	1·45	4·90	7·83	5·53	33·68
West Bengal	1·98 „	46·30	146·92	157·27	91·72	115·84
Maharashtra.	1·85 „	62·60	247·07	148·10	116·00	478·65
Rajasthan	1·42 „	6·60	46·82	15·02	2·80	3·00
Karnataka	1·37 „	18·84	174·99	91·23	74·54	73·78
Tripura.	1·23 „	0·43	5·25	5·11	7·18	1·58

1.28. The Fifth Five Year Plan envisages a total production of 9,500 million metres of textile cloth, out of which 4,800 million metres will be in the mill sector and 4,700 million metres in the decentralised sector.

1.29. As the share of the powerloom sector remain unchanged at 1,800 million metres, the share of handloom sector comes to 2,900 million metres from the present level of 2200 million metres. With a view to reducing the dependence of the majority of the handloom weavers on the master weavers and the money-lenders, it is proposed to strengthen and organise the cooperatives and other suitable institutional agencies for assisting them to overcome their problems relating to the supply of yarn, credit, marketing etc. It was also proposed to produce adequate quantities of yarn of the categories and varieties required by the handloom weavers and for arranging their supply at reasonable prices. Provision was made in the State Plan for the expansion of some of the existing cooperatives and establishment of new cooperative and other organisations for supplying raw materials, credit, marketing assistance and common processing facilities, rebate on sale of handloom cloth, supply of improved appliances etc. These activities in the States and Union Territories are to be supported by a substantially enlarged Central Programme which includes the establishment of new Institutions of Technology and Service Centres for training, designs research and extension services and the promotion of exports and domestic sales. The revised Fifth Plan outlays on Handloom industry are Rs. 37.30 crores in the Central sector and Rs. 62.62 crores in the State Sector, making a total of Rs. 99.92 crores.

1.30. Although programmes for the development of handloom industry were included in all Five Year Plans, it has been admitted that "sufficient progress was not made due to a variety of problems in the field. While funds were being released on the recommendations of the All India Handloom Board, actual supervision of the implementation of the schemes was not quite adequate. This arrangement received a further set-back from 1968, when a revised pattern of central assistance for plan schemes came into operation. Under the revised pattern, funds for the development of handloom industry ceased to be earmarked and were part of the block grants and loans given to the State Governments who were given flexibility to draw up their own priorities. This had an adverse effect on handloom schemes particularly in States which were not in a position to accord sufficiently high priority to handloom development."

1.31. The Task Force on Handlooms for the Fifth Five Year Plan in their final report had also stated that:—

> "It is obvious that adequate attention had not been paid for the development of handloom by most states and

> funds earmarked for this sector are being directed to other sectors or schemes. It is gathered that during discussions with Planning Commission, the States representatives had generally pleaded that higher outlays could not be provided due to budgetary constraints. In many cases, they had also admitted diversion of funds to other sectors......Unless urgent steps are taken to rectify the state of affairs, we feel that it will be difficult to enforce discipline on the States with regard to allocation of sufficient funds or utilisation of earmarked funds."

1.32. Asked what steps, have been taken to ensure that funds allotted for handloom sector were not diverted to other sectors, the representative of the Ministry of Commerce (Department of Textiles) stated in his evidence before the Committee:—

> "What happens is this, the Programme Adviser, who is incharge of the concerned State finally presents a kind of total break-up of the plan outlay for the annual plan which is the operative document...Theoretically and in practice also it happens that this document is binding on the States only as far as the overall size is concerned plus three or four earmarked sectors. For the rest, it is open to the States, to reappropriate if they like......We have had the Development Commissioner whose people are sitting on all Working Groups where these deliberations take place. This itself is a safeguard that proper and adequate allocation will be made........Since we are constantly in touch with the States now, that factor alone, hopefully, should enable us to make sure that there is no undue diversion of funds in the outlay for handloom development. Since we have now central plans also, supplementing the State Plans and there is some juxtaposition of these plans, I think we can try and make sure that there is no undue diversion of funds and the kind of story that happened in the past should not recur."

1.33. Asked if Government have considered it necessary or desirable that the funds allocated for handloom sector should be earmarked funds, the Government have informed that Committee in a written note:—

> "At present the funds allocated by the Planning Commission for handloom development to the State Governments in their Annual Plans do not fall within the core sector allotments. In the past there were cases of diversion of provisions allotted for handloom development, to other

> sectors depending upon the circumstances prevailing in each State. There has not been any decision of the National Development Council regarding earmarking of the funds for handloom development in the State Annual Plans......The States have in the last one and a half years increased their outlay in the Annual Plans for handloom development and are taking care to see that the funds are not surrendered or diverted. In other words, even though the provisions are not formally 'earmarked', they are actually being operated as such. The Central Government have also drawn up a Central Plan for handloom development from the year 1976-77 and have sanctioned funds for State Governments for centrally sponsored schemes for the benefit of weavers in the Project Areas as well as for those in the cooperative fold. The Plan of action in the last 3 years (1976-79) of the 5th Plan for handloom development envisages an outlay of Rs. 30 crores on the part of the Central Government to be matched by a similar outlay from the State Governments....State Governments are also assisted by the Central Government in the meetings with the Planning Commission for allotment of funds as per the demands of the State Governments. State Governments are also from time to time requested in our meetings and conferences to utilise fully the funds provided for handloom development in their budget and avoid diversion or lapse."

1.34. Asked if the proposal of treating the funds allocated for handlooms as earmarked has been taken up with the Planning Commission, the Department of Textiles have stated in the note that:—

> "The proposal has not yet formally been taken up with the Planning Commission. However, a letter has been set to all the State Governments requesting them to consider the proposals of earmarking funds for handloom development in their Plans and avoid diversion. After ascertaining the reaction from the State Governments, formal proposal will be sent to the Planning Commission. It is, however, to be observed that in some States where handloom development has been given priority, the State Governments themselves are spending lot of funds on various schemes and projects."

1.35. Asked about the allocations made for handloom industry during the last three years both in the Central and State sectors and the amount actually utilised, the Department of Textiles have stated in a written note furnished to the Committee:—

> "During the last 3 years, the outlays and expenditure on the handloom industry was as under:—

	1974-75	1975-76	1976-77
		(Rupees in lakhs)	
Outlay	26·31	224·0	1013·00
Expenditure	22·58	88·0 (actuals)	1013·00 (anticipated)

> As regards the State sector, the figures of expenditure are given in a statement (Appendix). As regards, State-wise outlays, it may be stated that the Central assistance to the States is given in the form of block loans and grants and, therefore, it is not possible to indicate separately allocations for handloom industry."

1.36. The Committee are distressed to note that although Government have been taking various steps for the development of the handloom industry since the inception of the Five Year Plans and a sum of over Rs. 100 crores has been spent upto the end of the Fourth Five Year Plan for this purpose, no appreciable impact could be made to improve the working of the handloom industry and the condition of weavers engaged in this industry. The industry is still suffering from the same problems which were afflicting it at the beginning of the First Five Year Plan, namely lack of organisational strength, shortage of basic inputs like yarn, finance, dyes and chemicals, weak cooperative structure, marketing facilities, unhealthy competition etc. It appears that effective measures were not taken to remedy the basic ills which were coming in the way of sound development of the handloom industry with the result that this important sector of our economy is still in a very weak and unorganised state.

1.37. The Committee note that before the commencement of the Fourth Plan, financial assistance to the State Governments for the development of handloom industry was provided by the Centre partly in the form of loans and partly in the form of grants. The Committee regret to note that during this period there have been wide disparities in the expenditure on handlooms in the various States with more or less equal number of handlooms. While an expenditure of Rs. 2179.41 lakhs was incurred in Tamil Nadu with

5.50 lakhs handlooms, expenditure incurred by Andhra Pradesh with 5.79 lakhs handlooms was only Rs. 1187.15 lakhs and by U.P. with 5.09 lakhs handlooms, Rs. 526.13 lakhs only. Similarly, while Maharashtra, with 1.85 lakh handlooms and West Bengal with 1.98 lakhs handlooms spent Rs. 573.77 lakhs and Rs. 442.21 lakhs respectively, the amount spent by Bihar, with 2.01 lakhs handlooms and Rajasthan, with 1.42 lakh handlooms was Rs. 393.71 lakhs and Rs. 66.24 lakhs respectively during the same peried. The Committee are unable to appreciate such wide disparities. The Committee need hardly point out that in equity, the Central assistance to the States should have been given with reference to the number of handlooms and the enormity of the problems faced by each state in this regard. It may well be that the States which received larger financial assistance from the Centre were organisationally strong and had prepared schemes in time. In the opinion of the Committee, the Central Government should make special efforts to provide assistance and guidance to the organisationally weak States so that these States are enabled to progress rapidly and the imbalanee in development is narrowed down. Central financial assistance should be provided and Central Schemes should be formulated with reference to the requirements and enormity of the problems in each State. The Committee have no doubt that in providing financial assistance and formulating Central schemes for the development of handloom industry in future, these aspects would be fully borne in mind.

1.38. The Committee note that since the beginning of the Fourth Plan, the pattern of financial allocation of funds to the States has undergone a change. Funds to the State Governments are now allotted in the form of block grants and loans. This has adversely affected the development of handloom industry in various States as not only lower priority was accorded to this industry in some States but the funds allotted for the handloom industry were diverted to other sectors.

1.39. The Committee note that considerable emphasis has been laid on the development of the handloom industry in the Fifth Five Year Plan and a provision of Rs. 99 crores has been made in the Fifth Plan for the development of handloom industry. The Committee, however, note that although it is widely recognised that the handloom industry can play a significant role in meeting the clothing needs of the people and also in providing employment in rural areas, the provisions for the handloom sector neither fall in the core sector nor these are treated as earmarked funds with the result that there is always an apprehension that the funds

allotted for the handloom sector might be diverted to other sectors. The Committee further note that proposal of treating the funds allotted for handloom sector as earmarked funds has not yet been formally taken up with the Planning Commission. The Committee recommend that Government should ensure that funds allotted for the development of handloom industry during the plans are not only made available but it should also be ensured that these funds are spent for this purpose only and no diversion of funds takes place. The Committee further recommend that Government should take up with the Planning Commission the need for treating the allocation for handloom industry as earmarked funds and the Planning Commission should see that adequate funds for the industry are allocated and treated as earmarked funds so that no diversion of funds allotted to handloom sector may take place.

1.40. The Committee need hardly stress that now that a separate Development Commissioner for Handlooms has been appointed, his hands should be sufficiently strengthened and it should be ensured that the development programmes for the handlooms industry in the central sector as well as the various States receive the necessary fillip and the progress in their implementation should be closely watched and monitored and speedy and timely corrective measures taken wherever the progress is not found to be satisfactory.

C. Sivaraman Study Team's Report on Handlooms

1.41. The Government had constituted a High Powered Study Team on the 29th December, 1973 under the Chairmanship of Shri B. Sivaraman, Member, Planning Commission to study in depth the problems of the handloom industry and the weavers in order to suggest a programme for development of that sector in the Fifth Plan period. The terms of reference of the Study Team were as follows:—

(i) To suggest programmes for development of handloom industry in the Fifth Plan;

(ii) To suggest measures for the maximum utilisation of the export potential of the handloom sector;

(iii) To suggest measures for building infra-structure and providing adequate inputs, particularly finance to the handloom sector; and

(iv) To review the position regarding reservation orders and to suggest changes in policy, if necessary.

1.42. The Study Team submitted its report in July, 1974. In their report, the Study Team studied all the important aspects of the handloom industry and made their recommendations. Some of the important recommendations made by the Study Group are as follows:—

Organisational Structure

1. A High powered statutory All India Handloom Board is necessary to discharge the several functions which that Board has to perform. Therefore, immediately the All India Handloom Board may be made effective and close liaison with the Ministry and Board established.

2. A separate Directorate should be created under a Development Commissioner for Handlooms in the Ministry of Commerce, charged with the responsibility for dealing with handlooms sector alone.

3. For the proper growth of handloom sector it is necessary that wherever the handloom population is reasonably large in a State, there must be a separate Handloom Directorate which shall not be incharge of the powerlooms since the interests of these two sectors are contradictory.

Technical Development

4. The field of work of the Institutes of Handloom Technology and the Weavers Service Centres should be clearly demarcated. The Institutes of Handloom Technology will undertake the following functions:—

   (a) Basic or fundamental experiments;

   (b) Long and short term training courses to train experts and artisans; and

   (c) Preparation and publication of technical literature.

5. The activities of the Weavers Service Centres shall extend to the following areas:—

   (a) Routine Experiments;

   (b) Field servicing work;

   (c) Assisting members in the execution of sample orders;

   (d) Evolving new designs and supplying the same to weavers and weavers organisations;

   (e) Holding of exhibitions and demonstrations; and

(f) Acting as a pace setter in the highly competitive and changing export field.

6. For weavers training, a suitable follow-up programme including supply of improved appliances should be taken up. This should be a definite programme with a specified target in terms of number to be trained during the Fifth Plan period for which funds may be provided in the Central sector.

Inputs for the Handloom Industry

7. The supply of yarn to the cooperative sector can be ensured best by promoting cooperative spinning mills. In respect of the Handlooms outside the cooperative fold, the NTC mills could be linked up with the handloom sector.

8. The Textile Commissioner should ensure that straight hank yarn will be utilised only by the handlooms and the objective should be to see that 300 million kg. straight hank yarn is produced every year for the handloom sector. The Textile Commissioner should also ensure a minimum of 62.5 per cent production in straight hank yarn.

9. The Textile Commissioner must strengthen his organisation and ensure that mills carry out his orders regarding production of yarn in straight hank form in full. If any statutory support for punitive action by him against the mills is lacking, the Government must provide the same immediately.

Finance and credit facilities

10. The limits laid down under the RBI scheme may be revised upward in view of the rising costs of production and living as follows:—

Cotton Handloom Weavers	Rs. 1,000
Woollen Handloom Weavers	Rs. 2,000
Silk Handloom Weavers	Rs. 2,000

11. Problems regarding financing and credit have arisen mainly because of lack of proper supervision of credit, marketing arrangements and difficulties in making recoveries. Financial discipline has to be enforced and therefore, supervision of credit by extension staff and efficient marketing are of prime importance.

Marketing subsidies

12. The All India Handloom Fabrics Marketing Cooperative Society should be suitably strengthened and made an effective marketing organisation. Grants for setting up new handloom houses and also for decoration, renovation and air-conditioning of existing houses on reasonable basis should be allowed to this organisation from the Central sector.

13. If the various recommendations made for putting the handlooms in a competitive position *vis-a-vis* the powerloom and the mill sector are accepted, the handloom goods could get their fair share in the market and no subsidy would be necessary. However, a change over from a system of subsidy to one of non subsidy should be effected gradually over the next three years by tapering off the subsidy.

Export Promotion

14. It is necessary to develop under an Export Oriented Pilot production scheme, 50 production units in important handloom centres in the country which are now contributing to the export market and which have highly qualified handloom weavers. Each centre should develop within a period of 3 to 4 years 1000 handlooms which can work according to specific orders in the export market.

Reservations for Handloom Sector

15. Eight items which are now reserved both for handloom and and powerloom units with four looms or less shall be reserved exclusively for the handloom sector.

16. The advantage that the powerlooms have over the handlooms with their better technology and almost the same level of excise *vis-a-vis* the handloom sector has to be set right so that the powerlooms are not longer in a position to underbid the handlooms in their legitimate market. The excise differential between the powerlooms and the handlooms should be of the same order as between the composite mills and the handloom sectors.

The decisions of the Government on the recommendations of the Sivaraman Study Team were announced by Government in the form of resolution on the 24th October, 1975. It noted that Government have, by and large, accepted the recommendations of the Sivaraman Study Team. The Resolution of the Government in this behalf have been accepted by Government as a policy Resolution in respect of the Handloom Industry.

1.43. The Committee note that Government had appointed a High Powered Study Team in 1973 under the Chairmanship of Shri B. Sivaraman, Member, Planning Commission to study in depth the problems of the Handloom Industry and the weavers and to suggest a programme for the development of this industry during the Fifth Five Year Plan period. The Study Team submitted its report in 1974 and made a number of recommendations for the development of the Handloom Industry, including appointment of a separate Development Commissioner for Handlooms, setting up of Intensive Development Projects and Export Promotion Schemes, etc. It is noted that while the recommendations of this Study Team have been largely accepted by the Government, effective measures to implement a number of important recommendations on matters like supply of inputs i.e. hand yarn, credit, marketing arrangements have yet to be taken. The Committee have no doubt that if concerted measures are taken to meet the requirements of inputs and for marketing of cloth as highlighted in the Report of the Sivaraman Study Team, it should be possible to put before long the handloom industry on a firm footing. The Committee urge that Government should take definite decision on these matters and ensure their implementation in the field in letter and spirit, as per a time bound programme.

(D) Handloom cess and excise duties on the powerloom industry

1.44. In their report submitted in July, 1974 the High Powered Study Team on the problems of Handloom Industry (Sivaraman Study Team) recommended that "The Team is firmly of the view that if the handloom interest is to be served, there must be a handloom cess specifically on the powerloom sector and the income derived from this cess shall be used specifically for the development of handlooms."

1.45. The Team had also recommended that:—

> "Our view is that it is essential to offset the advantage that the powerlooms have over the handlooms with their better technology and almost the same level of excise *vis-a-vis* the handloom sector. This has to be set right so that the powerlooms may not be in a position to underbid the handlooms in their legitimate market. The advantage in excise which the handlooms have over the mill sector, has also to be maintained *vis-a-vis* the powerlooms sector. The Team does not see any reason why the excise differential between the powerloom and the handloom

sector shall not be of the same order as that which exists between the composite mill and the handloom sectors."

1.46. In their Resolution showing action taken on the recommendations of the High Powered Study Team, the Government stated that:—

> "The gap in incidence of excise duties on mill made cloth and powerloom cloth has widened over a period of years in favour of the latter. This gap needs to be reduced but for various reasons the excise on powerloom sector cannot be fully at par with that on the mill sector. The observations will be kept in view while taking decisions in this regard."

1.47. Asked about the action taken by Government on the above recommendation of the High Powered Study Team, the Development Commissioner for Handloom stated in his evidence before the Committee in November, 1977:—

> "The decision of the Government was that while we would like certain measures to bring up the duties on the powerloom cloth, it may not be possible or even desirable to bring them at par with the mill cloth. In pursuance of this, I may say that while no action had been taken till this year, in the Budget of 1977 yarn duty has been imposed which is now applicable to the powerlooms as is applicable to the mills. One part of the Sivaraman Committee's report is that excise may be levied on the yarn used by powerlooms. Yarn duty has been levied. Yarn duty does not cover the gap. There is still a gap whatso-ever that may be. The gap is—mill will pay duty on the grey cloth whereas powerlooms will not pay the same. It is only if and when the powerloom cloth is processed, duty becomes payable on the cloth element and to that extent the differential is still being maintained. For example, the mill cloth of value of Rs. 4/- per metre or below is to pay duty at 2 per cent. The same cloth if it is produced on powerloom and then processed is to pay duty at 1.4 per cent. So the gap of 6 per cent is there. There is similar gap in the other varieties."

1.48. The Development Commissioner further stated:—

> "The handloom sector has been given freedom from excise duty at all the three stages. In the powerloom sector the yarn duty is the same as mill duty. The fabric duty

> is not paid at the grey stage. About thirty per cent of the cloth in powerloom sector is sold as grey...The processing duty is payable at a lower rate than the mill rate, that is, 70 per cent of the mill rate. The mill sector is paying duty at all the three stages. On the mill sector, apart from the excise duty an additional handloom cess at 1.9 paise per sq. metre is there."

1.49. In a note furnished to the Committee in December, 1977, it has been stated by the Ministry of Industry that:—

> "In the budgets of 1976-77 and 1977-78 restructuring of duties in respect of cotton yarn and cotton textiles has, to the extent possible, reflected the approach of Government to reduce the gap in duty structure between the mill sector and the powerloom sector. The whole question of the comparative incidence of duties as between these sectors, and in relation to their impact on the handloom sector, is expected to be gone into by the working group on Textiles which is considering the proposals for development of the three sectors during the next Five Year Plan."

1.50. Asked if the shortage of funds have come in the way of implementation of handloom development programme, the Development Commissioner for Handlooms stated in his evidence before the Committee (November, 1977):—

> "To answer the point whether lack of funds has come in the way, I may say, they have not come in the way, to the extent, we have gone in this line. If we want to enlarge the programme greatly, then funds may come in the way, and I would even there say that it is the organisational structure that is to be built up. We cannot dump in the funds into the structure as it is. It has to be built up....If you look at that point of view, the funds are adequate."

1.51. **The Committee note that the High Powered Study Team on the Problems of Handloom Industry (Sivaraman Study Team) had recommended (1974) that if the handloom interest was to be served a handloom cess specifically on the powerloom sector should be imposed and the income derived therefrom used for the development of handlooms. The Study Team also suggested that the excise differential between the powerloom sector and handloom sector should be of the same order as existing between the composite**

mills and the handloom sector. In the Government Resolution on the report of the Study Team it was however stated that while the gap in the incidence of excise duties on the mill made cloth and powerloom cloth needed to be reduced, the excise duty on the powerloom cloth could not be fully at par with the mill made cloth. In the budget of 1977-78, excise duty has been imposed on the yarn consumed both by mills and powerlooms. Excise duty has also been levied on the powerloom at processing stage although its incidence is less than that levied on mill made cloth. The powerlooms are not required to pay duty on production of grey cloth which is exciseable in case of mills. On the mill sector, apart from the excise duty, an additional handloom cess at 1.9 paise per metre is levied. The handloom sector is exempted from excise duty at all the three stages. The Committee further note that the whole question of comparative incidence of duties as between these sectors and in relation to their impact on the handloom sector is expected to be gone into by the Working Group on Textiles which is considering the proposals for development of the three sectors during the next Five Year Plan. The Committee would like to emphasise that as the handloom sector suffers from a number of inherent disadvantages as compared to the mill and powerloom sectors, the problems of the handloom sector should receive serious attention while revising the tax structure on the textile industry with a view to ensuring that the competitive position of the handloom sector vis-a-vis **powerloom and mill sectors is adequately protected.**

E. Organisational set up to look after the handloom industry

1.52. Till recently, handloom industry was being looked after alongwith other sectors of the textile industry, in the Ministry of commerce. However the Sivaraman Study Team had Recommended that "A separate Directorate should be created under a Development Commissioner for Handlooms in the Ministry of Commerce charged with the responsibility for dealing with handloom alone.... The Development Commissioner's organisation should be helped by technical personnel well versed in the handloom technology." Government accepted this recommendation and the Development Commissioner for Handlooms was appointed on 1st February, 1976 to deal exclusively with the problems of handloom sector. He will serve as the Coordinating agency for plans of development of this sectors, which are part of the State Plans. In addition, the implementation of the special central plan schemes launched after the announcement of the new Economic Programme will also be coordinated by the Development Commissioner. The Institutes of Handloom Technology and the Weavers Services Centres are under the direct administrative control of the Development Commissioner. In additional to the above functions, the Development Commissioner has been nominated as the Chairman of the All India Handloom Board. He also functions as the Chairman of the Handloom Export Promotion Council.

1.53. The Office of the Development Commissioner consists of three Joint Development Commissioners, two Deputy Development Commissioners, three Assistant Directors, one Research Officer, one Accounts Officer, one Private Secretary to Development Commissioner and 63 non-gazetted subordinates staff. The office is in New Delhi. It has no regional offices. The 18 Weavers Service Centres and the two Institutes of Handloom Technology are its field units.

1.54. Asked about the functions being performed by the Development Commissioner for Handlooms, the Development Commissioner for Handlooms stated in his evidence before the Committee:—

> "The basic items of work handled by me are the scrutiny, approval and review of the special projects, 17 intensive projects and 19 export projects which have been started. More will be started in future. They will have to be watched and progress monitored....Secondly, the State Government are now in line with the four points outlined in the Governments' policy resolution on 24th October. They have taken up schemes for expansion of cooperative coverage of handlooms with the final target of 60 per cent by the end of the Fifth Plan. We will have to review whether 60 per cent could be achieved or not but in any case programme towards that objective have to be taken up and monitored. Action on this has been initiated in all the States. Dormant Societies will have to be revitalised and amalgamated in some cases...... About exports special arrangements will have to be made to see that the two major exporting agencies—Handlooms and Handicrafts Export Corporation and All India Handlooms Fabrics Cooperative Marketing Society, are made to play a bigger role in exports...The other function is to make arrangement not so much on a national scale but project-wise or area-wise for supply of inputs like credit, yarn, dyes, chemicals etc. I say area-wise because the problems are different in different areas and they have to be tackled on a local or regional basis.

1.55. The Development Commissioner further stated:—

> "We have got a programme for encouraging handloom societies to develop their own arrangements for both on the inputs

side and marketing of the societies at primary and marketing level. This involve close liaison with Reserve Bank. Preliminary action has been initiated for working with the Commercial banks on similar credit programmes covering such of the actual weavers who are today not covered by cooperative society and may not be covered in the next two or three years. In the case of reservations of items falling under the handloom sector, powers have been delegated to the State Governments. My work lies largely in seeing that the State Governments actually do implement reservation orders. Here the progress has been slower than we would like it to be.....Now we are working with the State Governments in order to see that practically speaking the funds allotted for handloom development are treated as earmarked funds and programmes that have been drawn up are in fact, implemented with the States because for the first time, we have a very large programme of this magnitude directly from the Central Government.....The Institutes of Handloom Technology and the Weavers Service Centres are under the administrative control of the Development Commissioner and we are expanding the intake of these institutions. We are also trying that they play a more positive role in the expansion work."

1.56. Asked if the present set up of the Development Commissioner for Handlooms was in a position to control the availability of yarn directly and supply it to the handlooms, the Development Commissioner replied in the negative.

1.57. The Committee note that in pursuance of the recommendations of the Sivaraman Study Team, Government have set up a separate Directorate under the Development Commissioner for handlooms in the Ministry of Industry to deal exclusively with the problems of handloom industry. The Development Commissioner will coordinate the implementation of special plan schemes and the implementation of the schemes which are part of State Plans. The Institutes of Handloom Technology and the Weavers Service Centres are also under the administrative control of the Development Commissioner. He has also been nominated as the Chairman of the All India Handloom Board and the Chairman of the Handloom Export Promotion Council. The Committee would like to point out that in view of the importance assigned to the development of the handloom industry, the Development Commissioner for Handlooms has to perform an important role in the

development of the handloom industry. He is required to keep watch on the all round development of the handloom industry maintain liaison with the various authorities in the States, diagnose the ills and weaknesses of the industry and take timely remedial action. The Committee are glad to note that the Development Commissioner for Handlooms has already started a process of discussion and consultations with the authorities in the States etc. in this regard. The Committee have, in subsequent Chapters, pointed out in detail the important role which the Development Commissioner for Handlooms can play in solving the problems of the Handloom Industry. The Committee hope that the Development Commissioner will intensify his efforts in this direction and perform the functions entrusted to him effectively.

1.58. The Committee note that the Office of the Development Commissioner for Handlooms is situated in Delhi and there are no Regional Offices of this Organisation in any part of the country. The Committee feel that as the handloom industry is widely dispersed througout the country, it may be difficult for the Development Commissioner to deal effectively with the problems relating to the development of the handlooms in the various States, from its headquarters at Delhi. Moreover, frequent tours of Officers from Delhi to the various States for discussing the problems of handloom industry, are not only likely to involve considerable expenditure but may not be very effective and useful in solving the pressing problems of this industry. The Committee consider that it would be useful if small compact Regional Offices of the Development Commissioner of Handlooms are set up at appropriate centres to maintain close coordination and liaison with the State authorities in the concerned regions, regarding the development of handloom industry.

WORKING OF ALL INDIA HANDLOOM BOARD

1.59. The All India Handloom Board was set up by the Government of India in 1952. This was an Advisory Body and had the Textile Commissioner as its Chairman. This Board was set up for the purpose of advising Government regarding the development of the handloom industry. During the First and Second Plans, development schemes were drawn up by the States in consultation with the Board and financial assistance to the States was granted only for the schemes cleared by the Handloom Board. However, the pattern was changed with the beginning of the Fourth Plan, under the revised programme, funds for the development of handloom industry ceased to be routed through the All India Handloom Board and were part of the block grants and loans given to the

State Governments and the State Governments were given flexibility to draw up their own priorities. The result was that the All India Handloom Board lost its earlier supervisory role.

1.60. The Working Group on Handlooms and Powerlooms which submitted its report in December, 1972 remarked as follows:—

> "The result of the cessation of the supervisory role of the All India Handloom Board has been a marked general slackening in the pace of development.....We strongly endorse the suggestion that the All India Handloom Board should be made a statutory body. This proposal has already been pending with the Government for a long time and it is reported that considerable thinking has been given to it. We suggest that this change may be brought about quickly."

1.61. The High Powered Study Team on the problems of Handloom Industry (Sivaraman Study Team) also recommended in their report submitted in July, 1974 that:—

> "The Team advises that the Handloom Board should be once again brought back to its premier position as the eyes and ears of the Government of India in the matter of handloom development. The central sector financing should be with the advice of this body. Central schemes and centrally sponsored schemes should be monitored by the Board and its advice about modifications should be given due weight......The Team is of the view that a high powered statutory All India Handloom Board is necessary to discharge the several functions which the Team is further on recommending, that the Board should perform. At the same time till a statutory board can be brought into position, it is necessary to ensure that the present board takes over the various functions that the Team has postulated and that there is effective response from the Ministry to the suggestion of the Board. The team, therefore, recommend that immediately the All India Handloom Board may be made effective and close liaison with the Ministry and Board established. The Board may be immediately utilised to set in motion a process of review and scrutiny of the present situation of the handloom industry and prepare the ground for the effective introduction of the schemes we are proposing."

1.62. A number of non-official organisations and individuals connected with the handloom industry have also suggested the conversion of the All India Handloom Board into a statutory body. A knowledgeable person connected with the Handloom Industry in this evidence before the Committee has stated:—

> "The All India Handloom Board should be made a statutory body so that it can control the finance after going through all the schemes for which the State Governments have been given money. They must be made to give a report to the Handloom Board of which the Development Commissioner is the Chairman. The Board should have the statutory power of sanctioning loans or subsidy etc. which would enable them to keep the State Governments in order."

1.63. Asked about the steps taken for the reconstitution of the All India Handloom Board, the Committee have been informed in a written note by Government that "the All India Handloom Board has been reconstituted with effect from 20th May, 1976. The Board has 40 members with Development Commissioner for Handloom as Chairman. The Board will have following standing Committees:—

(1) For Finance and Administration,

(2) For Marketing, and

(3) For Technological improvements.

1.64. The functions of the Board will be broadly as under:—

(1) To generally advise the Central Government on dealing with the problems and difficulties of the Handloom sector.

(2) To formulate development programmes and to suggest annual programmes and financial outlay for the purpose.

(3) To assist in the formulation of central and centrally sponsored schemes and the monitoring of their implementation.

(4) To consider the State Plan schemes for the Handloom sector, review their implementation and recommend annual allocation of funds for handloom development.

1.65. Asked to intimate the number of sittings held by the All India Handloom Board since its reconstitution and the important decisions taken by the Board, the Department of Industrial Development have stated in a written reply (December, 1977) that:—

> "The All India Handloom Board was reconstituted in May, 1976. Since it was reconstituted the Board held one

meeting in July, 1976. At this meeting the following important points were discussed:

1. Availability and prices of cotton yarn.
2. Credit requirements and development of cooperatives.
3. Reservation of lines of production for the handloom sector.
4. Development of handloom exports.
5. Strengthening of technological base through research, training and development.
6. Financial assistance to State Marketing Societies and Corporations for setting up marketing outlets and improving the sales turn-over.
7. Need for uniform policy relating to fixation of minimum wages in handloom sector.
8. Setting up of domestic spinning units in rural areas.
9. Purchase of handloom cloth of Government departments.
10. Provision of house-sites/houses to weavers.
11. Exemption of excise duty on cross reed hank yard.
12. Excise duty on processed handloom cloth.

It may be stated that the All India Handloom Board is an advisory body and makes recommendations to the Government in accordance with the functions indicated in the Government's Resolution No. 5/57/74-Tex IV dated 20-5-1976 under which the Board has been constituted."

1.66. Asked what steps have been taken by Government for making the All India Handloom Board a statutory body, the representative of the Ministry of Commerce (Deptt. of Textiles) stated in his evidence before the Committee:—

> "The Sivaraman Committee also suggested that for the time being we may begin with a Board set up by a resolution of the Government which we have done. As we gain more experience, we can consider the matter again."

1.67. Asked about the details of the development programmes etc. formulated by the All India Handloom Board, the Development Commissioner for Handlooms stated:—

> "It being the first meeting of the Board, all the States were organising their Directorates for the first time. There

was not sufficient material available to the Board to have a comprehensive look at the whole thing. In subsequent meetings, we will improve things."

1.68. The Committee note that the All India Handloom Board was set up in 1952 to advise the Government regarding the development of handloom industry and in the earlier years of its existence, the Board had played an important role in this regard. However, with the changed pattern of assistance since the inception of the Fourth Five Year Plan, the All India Handloom Board lost its importance. The Committee further note that a number of Working Groups and Task Forces as well as knowledgeable non-officials have recommended that the All India Handloom Board should be made a statutory body.

1.69. The Committee note that Government have recently reconstituted the All India Handloom Board which has 40 members under the Chairmanship of Development Commissioner for Handlooms. The reconstituted Board has three sub-Committees to deal with finance and administration, marketing and for technological improvements respectively. The Committee are surprised to note that the Board has no sub-Committee to deal with an important aspect like the timely availability and supply of basic inputs like yarn, dyes and chemicals which constitute the most pressing problem of the handloom weavers. The Committee recommend that a separate sub-Committee to deal with the availability and supply of inputs like yarn to the handloom weavers should be set up immediately

1.70. The Committee note that the All India Handloom Board was reconstituted in May, 1976 and till December, 1977 it has held only one meeting. No meeting was held during 1977. The Committee would like that the All India Handloom Board should be made an effective instrument for keeping constant watch on the implementation of the handloom development programme in various States, monitoring the actual progress made and finding out bottlenecks and gaps so as to ensure that remedial measures are taken in time. For this purpose the Committee are of the view that the All India Handloom Board should meet regularly and more frequently so that it can play a dynamic role to help the growth of handloom industry, evaluate the measures already taken and take corrective steps well in view to ensure speedy and effective development of the industry.

1.71. In order that the Handloom Board performs its role more effectively, Government should take immediate action to convert the All India Handloom Board into a statutory body as recommended by the Sivaraman Study Team.

DIRECTORATE OF HANDLOOMS AND HANDLOOM DEVELOPMENT CORPORATIONS IN THE STATES

1.72. The High Powered Study Team on the problems of Handloom Industry (Sivaraman Team) had recommended that "At the State level, whereas many State Governments have set up separate Directorates for the Handloom sector, some States continue to have the system of Director of Industries/Registrar of Cooperatives being entrusted with the work connected with the Handloom sector. Various Study Groups and Working Groups have made it abundantly clear that the interests of the powerloom sector and the handloom sector are contradictory. One Directorate cannot in all justice look after the legitimate interests of the two sectors. For the proper growth of the handloom sector, it is necessary that wherever the handloom population is reasonably large in a State, there must be a Handloom Directorate. This Directorate shall not be incharge of powerlooms."

1.73. In their resolution showing action taken on the recommendations of the Sivaraman Study Team, Government have stated in respect of the above recommendation, "Accepted and to be recommended for the State Government's consideration. It was also appreciated that where the number of handlooms was small and/or matched or outnumbered by powerlooms, it would be difficult to set up exclusive Handloom Directorate in such States."

1.74. The Committee have been informed that in none of the States, there is a separate Directorate of Handlooms to look after the handloom industry exclusively. In Tamil Nadu, Andhra Pradesh, West Bengal, Uttar Pradesh, Maharashtra, Madhya Pradesh, Orissa, Assam and Meghalaya, there are separate Directorates which look after both the handlooms and powerlooms industries. In Kerala, Karnataka, Gujarat, Bihar, Rajasthan, Jammu & Kashmir, Himachal Pradesh, Punjab, Haryana, Manipur, Arunachal Pradesh, Goa, Delhi Mizoram and Sikkim, there is no separate Directorate to look after the Handloom Industry and the Directorate of Industries is looking after the handloom industry. In Pondicherry, the handloom industry is being looked after by the Registrar of Cooperatives. In Karnataka, Haryana, Punjab, Assam, Bihar, Manipur, Meghalaya, Uttar Pradesh and Nagaland the handloom cooperatives are being looked after by the Registrar of Cooperative Societies.

1.75. Asked about the list of Handloom Development Corporations and the Powerloom Development Corporation in the various States, the Government have stated in a written note submitted to the Committee in November, 1976:—

> "The following States have Set up Handloom Development Corporations. In most of the States, there is one Corporation for both Handloom and Powerloom development:—
>
> 1. Andhra Pradesh
> 2. Assam
> 3. Bihar
> 4. Gujarat
> 5. Haryana
> 6. Himachal Pradesh
> 7. Karnataka
> 8. Madhya Pradesh
> 9. Kerala
> 10. Manipur
> 11. Maharashtra
> 12. Orissa (being set up)
> 13. Punjab
> 14. Tamil Nadu
> 15. Tripura
> 16. Uttar Pradesh
> 17. West Bengal."

1.76. Asked about his reaction regarding the setting up of a common Corporation for Handlooms and Powerlooms, the Development Commissioner for Handlooms stated in his evidence before the committee:—

> "Our view has been that the States should have a Corporation for Handlooms which should be separate from the powerloom, for two reasons. One is that the problems of the handloom sector are in many ways different from those of the powerloom sector and the measures to be taken are also likely to be different. Secondly, we have a fear which is quite legitimate that funds are likely to be diverted. We do not have anything against the powerloom. It has a role of its own. But at least what is given to handloom should be spent only on the handloom sector.....So far the earlier set two reasons we want that there should be a separate Handloom Development Corporation."

1.77. The Committee note that although the Sivaraman Study Team had recommended that wherever the handloom population was reasonably large there should be a separate Directorate to look after the handloom sector, no State has so far set up a Directorate to look after the handloom industry exclusively. In some of the States there is a combined Directorate to look after both the handlooms and powerlooms. In other States, the Directorate of Industries is looking after the handloom industry. The Committee feel that in view of the importance of handloom industry and in view of the recommendation made by the Sivaraman Study Team, a separate Directorate of Handlooms should be set up at least in those States where there is sizeable number of handlooms so that concerted attention may be given to the development of handlooms.

1.78. The Committee further note that 17 States have set up Handloom Development Corporations and in most of the States there is a common Corporation for the Handlooms and Powerlooms. The Committee would like to point out that in view of the diversity of interests of handlooms and powerlooms, there is an apprehension in certain quarters that handlooms may not receive adequate attention at the hands of a common corporation and that funds for handlooms may get diverted to powerlooms. The Committee consider that while setting up Corporations for the development of handlooms, this aspect should be fully kept in view.

1.79. The Committee further recommend that the Development Commissioner for Handlooms should maintain continuous liaison with the Handloom Development Corporations in the States so as to ensure that these corporations effectively perform their functions as they are the pivotal agency for the development of handloom industry in the concerned State.

CHAPTER II

SUPPLY OF RAW MATERIALS AND INPUTS

A. Availability and Distribution of Yarn

A major difficulty being experienced by the handloom weavers all over the country relate to the timely availability of yarn of requisite quality and quantity to them at reasonable price. A number of non-official organisations and individuals in their memorandum submitted to the Committee as well as in their oral evidence and a number of State Governments and non-official organisations of handloom weavers during their discussions with the Study Groups of the Committee at the time of their on-the-spot visits have expressed the difficulties experienced by the handloom weavers regarding the availability and quality as well as the price of yarn. The difficulties experienced by the handloom weavers in respect of yarn are mainly as follows:—

(i) Inadequate production of hank yarn consumed by the handloom weavers resulting in inadequate availability.

(ii) High price of yarn making it uneconomic for the handloom weavers to consume it.

(iii) Frequent fluctuations in the price of yarn.

(iv) Inferior quality of hank yarn produced for the handloom industry.

(v) Heavy transport cost as the yarn produced in one region is being consumed by the weavers in the other region *e.g.* the yarn produced in the Southern States is being consumed in the Eastern States.

2.2. The representative of a leading organisation of weavers has stated in his memorandum submitted to the Committee:—

> "Supply of raw material particularly the yarn in time, in required quantities and of required counts and quality, at reasonable price has been more or less always a problem. The spinning mills including those run by the Government Corporations and Cooperatives have been adopting a sort of gambling attitude and approach......Many a time several attempts have been made to do justice to

> the handloom industry and poor handloom weavers in particular and people at large, by setting right the wrong. But all such attempts either did not prove fruitful or its fruitfulness proved to be partial and very short living. This subject of supplies is a very complex one which requires special and constant attention. But there has been no special permanent arrangement in this regard.... It is pertinent that a permanent special agency should be created to deal with this subject of supplies, effectively and constantly. Pending creation of such special agency, a scheme of levy on the yarn as is done in the case of foodgrains may be favoured."

2.3. A Federation of Handloom and Powerloom Weavers in the country has stated in their memorandum submitted to the Committee:

> "The quality of yarn supplied by the mills is not to the mark. The counts are always less than what is printed on the Cones and Hanks....The quantity required is available in the open market but through brokers and the rates are fixed by the yarn traders at their own choice. The fluctuations in the trade is a daily phenomenon....Therefore it is suggested that the price of cotton should be fixed for 3 months, and also the prices of yarn be fixed for 3 months so that industry be relieved of fluctuations."

2.4. A cooperative organisation of weavers has stated in their memorandum:

> "The supply of yarn to the handloom is erratic and is dictated by and large by the market conditions. There are no regular and assured channels of supply of yarn to the weavers at reasonable rates. The handloom weavers have been the worst sufferers during days of yarn scarcity, both in respect of availability, quality and price. It is suggested that Government should create "Yarn Banks" on the lines of Food Corporation of India, if need be, by creating Yarn Corporation of India. It should enumerate the handloom weavers, issue them "yarn ration cards" and issue yarn based on loomage and subject also to the countwise quality drawn by him during days of free availability."

2.5. An authority connected with the marketing of handloom goods has stated in his memorandum:

> "There is no steady flow of yarn to the handloom industry, At times the hank yarn will be surplus and at time there

will be total shortage. Necessary steps should be taken by the Government to provide steady supply of hank yarn of good quality to the handloom industry at steady prices."

2.6. Asked about the total requirement of yarn, the total amount of yarn actually supplied and procedure adopted for ensuring adequate and timely supply of requisite quantity and quality of yarn to the handloom industry, the Ministry of Commerce have stated in a written note furnished to the Committee that:—

"The statistics regarding the actual requirements of the handloom and powerloom sectors have not been cross-checked with reference to any census or survey of active looms. There is thus some uncertainty about the total consumption and requirements of yarn by these sectors. With regard to handloom sector, the present consumption is estimated at 220 to 230 million kgs. per annum which is expected to go up to 300 million kgs. to achieve the production taget of 3,000 million metres of cloth from the handloom sector. For this 1.6 million additional spindles have been allocated and it has been stipulated that 65 per cent of the yarn produced on these spindles should be in hank form. The existing spinning mills are also statutorily required to produce a minimum level of hank yearn at 110 per cent of their production of such yarn during 1972. The policy regarding setting up of spinning capacity has been further liberalised and setting up of new units as well as expansion of existing units, upto a level of 50,000 spindles does not require any license except in the case of M.R.T.P. Units and in certain metropolitan areas. A programme for strengthening the production base of the cooperative spinning sector has also been initiated. Existing weavers cooperative spinning mills of a size below 25,000 spindles will be brought to this level. Necessary assistance to the National Cooperative Development Corporation is being rendered by the Central Government for the purpose. So far the handloom and powerloom industries have been procuring yarn from the market and no governmental arrangements exist."

2.7. Asked about the total yarn produced in the country during the last three years and the total requirement of hank yarn and the amount of hank yarn and cone yarn actually produced, the Ministry of Commerce (Department of Textiles) has intimated in a written note submitted to the Committee:—

> "The table below gives the production and deliveries in the form of hank and cone of cotton yarn during the last three years:—

(in m. kg.

Year	Production or yarn (a)	Deliveries of yarn	
		Hank	Cone(b)
1973 . .	998	213	126
1974	1007	229	146
1975	989	237	145

NOTE: (a) Production of yarn includes yarn utilised by composite mills in their own weaving sheds.

(b) Cone yarn deliveries do not include hosiery cones."

2.8. It has been further stated:—

> "Requirements of yarn of the handloom sector could be established on the basis of 1 Kg. of yarn per 10 metres of cloth, and an average capacity of a handloom to produce 5 metres of cloth per day. As has been observed by the Sivaraman Committee, however, since the data regarding the actual number of operating handlooms are of a doubtful nature, a calculation made on this basis, cannot be reliable. A more reliable method of working out the requirements of yarn for the handloom sector is with reference to the target fixed for production of cloth in this sector. In the Fifth Plan period the target for production has been fixed at 3,000 million metres and to achieve this target the requirement of yarn would be 300 million kgs. as against the present estimated availability of 237 million kgs."

2.9. Asked about the details of the programme initiated for strengthening the production base of the cooperative spinning mills, the Ministry of Commerce (Department of Textiles) has stated in a written note furnished to the Committee:—

> "Keeping in view the requirement of decentralised sector for the supply of yarn and the need for expansion of cooperative spindleage, a programme for installation of 1

million new spindles has been envisaged during the Fifth Plan. This would mean organisation of 40 new spinning mills with 25,000 spindles each in the cooperative sector. Some States like Maharashtra, Gujarat, Andhra Pradesh, Orissa, Punjab, Haryana and Rajasthan have already initiated steps for setting up new mills. In order to help the establishment of new mills and the expansion of the existing cooperative spinning mills, the N.C.D.C. has been operating 2 Central Sector Schemes under which assistance is to be given to the State Governments for contribution to the share capital of the concerned spinning mills in accordance with an agreed pattern of assistance.

The Working Group on Handlooms and Powerlooms in their Report submitted in December, 1972 had stated that "There is no regular arrangements for the supply of yarn from the mills to the weavers. The weavers have to deal with the mills through the yarn retailers and mills agents........

In this free market the force of supply and demand operate and this operation almost invariably work to the detriment of the weavers. Due to one reason or the other, shortages of yarn develop from time to time and that leads to distress amongst the weavers because of shortages of supply and rise in prices. Many looms have to be closed. Also since any increase in yarn prices does necessarily get reflected in cloth prices, the meagre profits or wages available to the handloom and powerloom weavers get further cut."

2.10. It has been further stated in the Report of the Working Group that "One genuine difficulty that has been brought to our notice is that when the mills are forced to supply yarn to the weavers at concessional prices, they deliberately reduce the quality of yarn. In fact in many mills the production of the same count of yarn is in two qualities....Poorer quality for sale to the weavers at a concessional price and the normal quality for sale in the open market at the prevailing rates. There is no law on the stautory book under which such violation of quality could be punished. There is a provision in the Trade and Merchandise Act under which such an offence could be brought by a great deal of stretching but we are told that so far, during the last 20 to 25 years, no case against any mill could be successfully brought forth under this legislation. We would recommend that suitable legislation may be brought forward to plug this loophole."

2.11. Asked about the steps taken by Government to increase the production of hank yarn to 300 million kgs. the representative of the Department of Textiles stated in his evidence before the Committee:—

> "Actually the position is that the availability of hank yarn has been in the recent past somewhat on the upward trend. For instance, in 1972, the total figure was 220 million kgs. In 1975, the figure was 237 million kgs..... But I would rightly concede that in the Government we have to take some energetic measures to see that the rate of growth in the yarn production and availability of yarn for the handloom sector keep pace with the kind of target we set for the handloom sector. This is a very crucial factor. In other words, in addition to the measures which we have taken so far, we probably have to go further than what we have done so far and augment the total availability to the handloom sector."

2.12. Asked what steps have been taken to ensure that there is no large scale movement of yarn from one part of the country to the other, the Textile Commissioner stated in his evidence before the Committee:—

> "We have made a beginning. In the new units which we promote in the cooperative sector and the public sector—most of the units come up in these sectors—we are taking care of this question that to the maximum possible extent, the weavers cooperatives should produce the types of yarn which are required locally. The idea is, gradually weavers clusters should get attached to the local mother spinning mill....So far as areas like Coimbatore are concerned, these are historical development. The investments made cannot be made to remain idle. Cotton goes there right from Punjab, Haryana and Rajasthan. ....About licensing the basic objectives that has been kept is that the new spinning mills will be given licences only in those areas where there is deficit in yarn production and where yarn comes form outside areas."

2.13. Asked if any market surveys have been made to assess the requirements of yarn by the handloom weavers and changes in the counts of yarn consumed by them, the Textile Commissioner stated:—

> At present it is *laissez faire*. Under that system the production adjusts according to the marketing needs......we

> have not created a marketing organisation with the Textile Commissioner." ....

2.14. Asked if any action was taken on the recommendations of the Working Group that suitable legislation may be brought forward to plug the loophole regarding production of yarn of inferior quality by spinning mills for handloom weavers, the Textile Commissioner stated:—

> "As far as I am informed, no particular action on this particular recommendation has been taken."

2.15. Asked what steps have been taken or proposed to be taken by Government to prevent the large scale fluctuations in the price of yarn, the representative of the Department of Textiles stated:—

> "I think we will have to consider this very carefully. But the broad idea can be readily conceded that there is far too much of fluctuation from week to week and day to day etc. and therefore some way of introducing a certain degree of orderlines in prices in a sector like this makes a lot of sense. There is no doubt about that part of it, but in regard to the level of prices and the period for which they should be maintained and, again, the kind of mechanism, Government would have to see that this particular price level is honoured not in its breach but in its observance, it will have to be worked out. In other words, unless we have some measure in the shape of buffer stock or some such arrangement, the mere announcing of prices in the catalogue of prices will not help."

2.16. Asked whether Government have examined the feasibility of setting up yarn banks to meet the artificial and temporary difficulties of handloom weavers, the Development Commissioner for Handlooms stated in his evidence before the Committee:—

> "In the case of yarn supply, in the special project areas we are introducing, and in some cases, we have already introduced, an arrangement whereby they would regularly obtain a supply of yarn to cover 1,000 or 10,000 looms. We are also providing margin money from the Centre for maintenance of stock at all times in the project areas so that the weavers may not be handicapped for want of adequate and regular supply. In the non-project areas, the progress of course has been very little so far, and the reason is that a large part of the spinning capacity is either in the private sector or in the cooperative sector. Re-

> cently, we have had a dialogue with the National Cooperative Development Corporation and the National Textile Corporation, both of which have got spinning mills under their control, and in respect of areas which are close or are covered by these mills, we have started a similar arragement. We are going to provide some margin money in these areas whereby the yarn supply may be maintained...We are having a scheme in the project areas. We are giving Rs. 25 lakhs to each project as a margin money for building up a yarn bank."

2.17. About the reaction of the Government to suggestion regarding making the transport cost uniform and grant of transport subsidy to weavers who have to perforce obtain their yarn from far off places, the representative of the Department of Textiles stated in his evidence before the Committee:—

> "This is about the idea to have some sort of equalisation of transport cost so that there is some sort of a uniform price. Government have done this in one or two commodities say, chemical fertilisers where there is a pool. There was a demand from West Bengal that cotton prices should be equalised because they get all their cotton from outside and I think a Committee headed by Mr. Chakravarty of the Planning Commission is going into the whole question whether some kind of equalisation could be brought out in respect of some essential commodities, beyond that I have no information."

2.18. Asked about the proposals prepared by the National Cooperative Development Corporation for setting up new spinning mills during the Fifth Plan, the financial allocations made and the progress made in setting up new mills and target date when these mills will go into production, the Department of Textiles has stated in a written note submitted to the Committee:—

> "Even though the decentralised textile sector produced 48.8 per cent of the total production in the country in 1975 and it is expected to produce more by the end of the Fifth Plan, the spindlage installed by the cooperatives of only 5 per cent of the total spindlage of the country. There is thus a big imbalance between the weaving potential in the decentralised sector and the available capacity for production of yarn required by this sector......Besides keeping in view the Fifth Plan targets in regard to production of 3000 million metres of handloom cloth and the

> balance in powerloom cloth, the yarn requirements could be estimated to be 290 million kgs. in hank form and 180 million kgs. in cone form whereas the present estimated availability is only 237 million kgs. of hank yarn and 145 million kgs. of cone yarn. Thus there is an urgent need to step up the production of yarn for the decentralised sector by setting up new spinning mills and expansion of existing spindulage in the cooperative sector."

2.19. It has been further stated in the note that:—

> "At the end of Fourth Plan, there were 57 cooperative spinning mills with 1 million spindles in the country. Out of these, 24 spinning mills have been organised by the cotton growers and 33 by the weavers with 4.25 lakhs and 5.75 lakh spindles respectively. 56 mills have been installed and are in production. 43 units of them are now being assisted to carry on their expansion programmes so that each mill has 25000 spindles to be viable. But keeping in view the requirements of yarn of decentralised sector, particularly that of handlooms programmes for installation of 1 million new spindles was envisaged during the Fifth Plan......Accordingly, 40 new cooperative spinning mills with 25,000 spindles each, 15 mills of growers type and 25 of consumers type were expected to be set up in the country but due to constraint of resources, this programmes has been sealed down. Against the draft Fifth Plan target of 15 grower mills, only 4 units are likely to be installed whereas against 25 weavers mills, only 3 units may be set up. Thus while on the one hand, there is great need to increase the production of yarn in the cooperative sector ,on the other hand, this programme has been considerably slashed down."

2.20. Regarding the progress made in the setting up of new cooperative spinning mills and expansion of capacity of existing mills, it has been stated in the note that:—

> "In order to help establishment of new mills and expansion of the existing cooperatives spinning mills, two Central sector Schemes are being implemented through NCDC under which assistance s given to the State Governments for contribution to the share/capital of cooperative spinning mills. The first scheme for Central Sector Scheme for assistance to growers cooperative spinning mills was

initiated in the year 1974-75 and under it, the Government of India have sanctioned the followed amounts:—

	Rs. lakhs
1974-75	50
1975-76	145
1976-77	125
	320

This assistance has been used for participation in the share capital of 8 cooperative spinning mills in Karnataka, Rajasthan and Maharashtra for undertaking their expansion programme and for setting up of three new cooperative spinning mills, one each in Punjab, Haryana and Andhra Pradesh. Under the second scheme, viz., Central Sector Schemes for share capital participation in weavers cooperatives spinning mills, assistance is being provided to spinning mills for undertaking their expansion programme only. 9 mills in Tamil Nadu have been assisted under this scheme which was initiated in the year 1975-76. The Government of India have sanctioned the following amounts under this scheme:—

	Rs. lakhs
1975-76	50
1976-77	145
	195

Whereas the growers scheme permitted the establishment of new units on elective basis, the weavers scheme did not allow grant of assistance for setting up of new units. As a result the assistance available under the two schemes have been mainly used to help the cooperative spinning mills in the carrying out of their expansion programme so that these mills become viable......Due to the constraint of resources, the programme of new mills could not be taken up. Even the own resources of NCDC would not enable it to help more than 7 mills—4 of the grewers' type and 3 of the weavers type. As such, unless additional financial resources are found, the programme of setting up of new mills cannot be achieved."

2.21. It has been further stated in the note furnished by the Department of Textiles that:—

> "Unless arrangements are made for these additional resources, it is difficult to set up new spinning mills in the cooperative sector as envisaged in the Fifth Plan and this, in turn, may affect adversely the supply position of yarn necessary for the decentralised textile sector in the country. New cooperative spinning mills are urgently required in the States like Uttar Pradesh, Bihar, Orissa, West Bengal and Assam and it is felt that funds should be found help establish them in such areas on selective, basis in order to meet the requirements of yarn of the weavers locally."

2.22. The Committee note that hank yarn is one of the essential inputs for the production of handloom cloth and the availability of hank yarn of requisite counts, quality and in sufficient quantity is an essential prerequisite for the development of handloom industry in the country and for improving the condition of handloom weavers. However, from the large number of memoranda received from the non-official organisations connected with the handloom industry and the discussion held by the Study Group of the Committee with the representatives of the non-official organisations and State Governments during on-the-spot visits, it has been noticed that the handloom weavers have been experiencing a lot of difficulty in obtaining supplied of hank yarn at reasonable price. The main difficulties experienced by the handloom weavers in regard to supply of hank yarn are that there are frequent shortage of hank yarn, the fluctuations in the prices are very frequent, the yarn supplied to the weavers is of inferior quality and there is large scale movement of hank yarn from one part of another part of the country resulting in heavy transport cost adding to the price of yarn.

2.23. The Committee are surprised to note that although yarn is the basic raw material required for the handloom industry, Government have no authentic statistics about the requirement of yarn for the handloom weavers and the actual requirements of the yarn for the handloom sector has not been cross-checked with reference to any census or survey of active looms in the country. It has, however, been estimated on the basis of targets fixed for the production of handloom cloth that the present annual consumption of 220 to 230 million kg. of yarn is expected to go upto 300 million kg. per annum by the end of the Fifth Plan. The Committee have already underlined the importance of undertaking a census of the active handlooms in the country on an urgent basis. The Committee further feel that until and unless concerted steps are taken to augment the

production of hank yarn on the basis of a time-bound programme to achieve the production target of 300 million kg. of hank yarn by the end of the Fifth Plan, the difficulties of the handloom weavers in regard to availability of hank yarn will further aggravate and would have an adverse effect not only on the production of handloom cloth in the country but on the condition of handloom weavers also.

2.24. The Committee further note that in order to increase the production of hank yarn in the country, Government had planned for the setting up of 40 new spinning mills in the cooperative sector —25 of the weavers and 15 of the growers and also for expansion of capacity of 43 spinning mills to 25,000 spindles in the interest of making them viable. The Committee are distressed to note that due to constraints of resources, this programme has been scaled down and againt the target of setting up 40 new spinning mills in the co-operative sector, only 7 new mills (4 of the growers and 3 of the weavers) are now expected to be set up by 1978-79. This clearly shows that the question of augmenting the production of hank yarn in the country has not received the attention that it deserved and if concerted and determined measures are not taken by Government to set up the cooperative spinning mills as per targets already fixed, the handloom weavers will face greater difficulties in procuring the supplies of yarn and the development of handloom industry in the country will be adversely affected. The Committee, therefore, recommend that the programme of setting up of new cooperative spinning mills and expansion of the capacity of existing mills should receive urgent attention of Government and the targets originally fixed should be adhered to so that the programme for development of handloom industry is not adversely affected.

2.25. The Committee also recommend that in setting up new cooperative spinning mills, priority should be given to the weavers cooperative spinning mills and necessary action taken to ensure that these spinning mills are eligible and able to get the necessary finance and credit from the financial institutions.

2.26. The Committee further recommend that Government should look into the genuine difficulties of the existing cooperative spinning mills and take immediate action to remove their difficulties so as to help these spinning mills to function efficiently and fulfil the role for which these mills were set up.

2.27. Government should also ensure that the cooperative spinning mills give priority to the handloom weavers in the matter of supply of yarn so that these handloom weavers may be able to get assured supply of yarn.

2.28. The Committee further note that there have been frequent shortages of hank yarn in the country resulting in considerable hardships to the handloom weavers. In many cases this shortage has been created by unscrupulous manufacturers, middlemen and traders in order to raise artificially the prices of yarn. The Committee further note that at present there are not restrictions on the price and distribution of yarn with the result that a situation of laissez faire prevails in respect of yarn. The Committee feel that in view of the difficulties being experienced in respect of availability of yarn, Government should take measures for bringing some discipline and stability in the availability of hank yarn to the handloom weavers. The Committee recommend that the Handloom Development Corporations where existing and the Apex Societies may be entrusted with the responsibility for distribution of yarn to the handloom weavers.

2.29. These Corporations and Apex Societies may also take suitable measures to constitute a "yarn bank" in respect of all types of yarn, which are frequently in short supply, but for which there is an established demand. The question of extending this pattern for distribution of yarn to other States and areas may be considered in the light of experience gained. The Committee cannot too strongly stress the need for managing the distribution of yarn and constitution of yarn bank on a most prudent and efficient manner so as to render the services at most competitive and economic cost to inspire and sustain confidence of the weavers and make possible extension of the arrangements to other areas/States on similar lines.

2.30. The Committee note that in the areas covered by Intensive Development Schemes, a beginning has already been made in the setting up of these yarn banks and Rs. 25 lakhs have been provided in each project area as margin money for setting up these yarn banks. The Committee stress that the yarn banks should be managed efficiently so as to subserve the underlying objective of making available yarn to the weavers at most economic and competitive price and provide a working model for extension of the scheme to other areas having concentration of handloom weavers.

2.31. The Committee recommend that Government should also evolve a mechanism by which the prices of yarn required by the decentralised sector particularly the handlooms is fixed for a sufficiently long period, say, six months, so as to save the weavers from the hazards of frequent fluctuation in price.

2.32. The Committee further note that at present there is a large scale movement of yarn from one part of the country to the other resulting in heavy transportation cost and wastage of time. The phenomenon of weavers from Eastern States like Manipur, West Bengal and Bihar purchasing their supply of yarn from distant places like Coimbatore needs to be gone into in depth in order to take suitable remedial measures.

2.33. While admitting that some of the present imbalance may be due to historical and geographical factors, the Committee feel that Government should implement a time-bound programme to correct this situation. For this purpose, Government should ensure that the new spinning mills are located in those States only where there are a large number of handloom weavers and supplies of hank yarn are not locally available. In setting up these spinning mills, the requirements of weavers regarding the specific counts of yarn should be ascertained and provision made to meet these requirements fully.

2.34. The Committee desire that taking into account the requirements of yarn for the decentralised sector, a specific quantity, count-wise and quality-wise, should be earmarked from the existing spinning mills for being supplied to the handlooms. In earmarking the spinning mills for meeting the requirements of yarn in areas, care should be taken to avoid unnecessary cross movement which results in inflating transport charges.

3.35. The Committee further note that at present the entire work relating to the production and distribution of yarn is being dealt with by the office of the Textile Commissioner. This organisation has, however, not been able to ensure the production and distribution of hank yarn in the country so as to ensure its availability to the large number of handloom weavers in the country. Now that a separate Development Commissioner for Handlooms has been appointed, the Committee recommend that the Development Commissioner for Handlooms should be associated with the office of the Textile Commissioner for ensuring the production of sufficient quantity of hank yarn of requisite quality and counts in the country and its availability to the handloom weavers. The office of the Textile Commissioner should continuously make a marketing survey of changes in the requirements of yarn for the handloom weavers, find out distortions in the supplies, if any, and take corrective steps in time.

2.36. The Committee note that the Working Group on Handlooms & Powerlooms in their Report submitted in December, 1972 had pointed out the fact that often the mills were producing inferior quality of yarn for supply to the handloom weavers and there was no law on the statute book under which such violation of quality could be punished. The Working Group had recommended that suitable legislation might be brought forward to plug this loophole.

The Committee are greatly disturbed by the lack of conclusive follow-up action on the important recommendations of the Working Group and would like this matter to be thoroughly investigated with a view to fix responsibility. The Committee stress that no further time should be lost in devising adequate machinery for ensuring that not only the requisite quantity is produced by the spinning mills and made available to the handlooms and powerlooms etc. in the decentralised sector, but also that the quality is scrupulously maintained. If it is necessary, the Committee would also like that stringent action should be taken against any mill which infringes this provision so as to act as a deterrent to others. If legislative support is required for these measures, necessary action should be taken without further loss of time in order to plug all loopholes which come in the way of making available the requisite yarn in adequate quantity and prescribed quality to handloom weavers.

B. Availability and Supply of Dyes and Chemicals

2.37. Dyes and chemicals are one of the essential requisite for the manufacture and sale of handloom cloth. Exotic colour combinations are one of the major factors responsible for the popularity of handloom cloth. It is, therefore, essential that the dyes and chemicals of requisite quality and in sufficient quantity are made available to handloom weavers at reasonable price.

2.38. A number of non-official organisations connected with the handloom industry have, in their memorandum submitted to the Committee, represented about the difficulties experienced in the availability of dyes and chemicals as well as about the poor quality and high price of these dyes and chemicals.

A leading authority connected with the handloom industry has stated in his memorandum submitted to the Committee:—

> "The quantity of dyes and chemicals used by the handlooms is far less than that used by mills and powerlooms. Yet the handlooms often pay higher prices for dyes and chemicals and more often they are denied supplies of adequate quantities of dyes and chemicals when they are in most demand. In the past, the Apex Weavers' Cooperative Societies were entrusted with the distribution of dyes and chemicals when they are in short supply, but this arrangement also was discontinued long ago."

Another person connected with the handloom industry has stated in his memorandum submitted to the Committee:—

> "With the development of handloom industry, the needs of the Handloom Industry for dyes and chemicals increased while

> the production of the same is limited and this has led to an increase in rates of dyes and chemicals. In view of prevailing rates, supply of right type of dyes and chemicals is limited. In view of the demand it may be made obligatory upon the companies to earmark certain part of their production for the handloom industry and their supply to weavers be channelised through service cooperatives of federation. The individual weavers be enlisted as members of these service cooperatives."

An organisation of weavers has stated in its memorandum submitted to the Committee:—

> "We are not able to get good quality of chemicals at correct prices and are not able to get all dyes required. To rectify this, Government should start cooperatives chemicals manufacturing industry."

2.39. Asked about the arrangements made to ensure the supply of required quantities of dyes and chemicals etc. for use in the handloom industry, the Department of Textiles has stated in a note furnished to the Committee:—

> "The bulk of requirements of dyes and chemicals is available from indigenous production. As indigenous capacity is considered well over the demand, there should not be any complaint of lack of Indian made dyes, but short production is sometimes alleged. Only in respect of a few items, imports are still required. As far as imports are concerned, suitable provisions have already been made in the I.T.C. policy and import of dyes is permitted for use in handloom sector. For timely and adequate supply of dyes and chemicals it is considered that the State Governments would work out the consumption data on the basis of past liftings and the producers can thus make available these quantities directly for distribution to the handloom sector."

2.40. Asked about the present arrangements for the supply of dyes and chemicals to the handloom weavers at reasonable rates, the Development Commissioner for Handlooms stated in his evidence before the Committee:—

> **"At present there is no organised system for the supply of dyes and chemicals. In the case of project areas, provision is made in the plan budget of the project for organising supplies alongwith the yarn. We are now taking up dyes and chemicals. We have been engaged in taking it up so**

> because we have no statistics at all in the States as to the requirements of dyes. But we have written to them. On the basis of information, we will be able to arrive at a list of 20 or 30 most commonly used dyes and chemicals. We want to take it up with the manufacturers and try to have a bulk supply arrangements with the Apex Institutions rather than always depending on the market forces."

2.41. Asked if it was a fact that there was a lot of adulteration in these dyes and chemicals he replied:—

> "The dyes and chemicals manufacturers are there. They produce standardised quality of dyes and chemicals. The difficulty arises when the purchases are made in the market..... Sometimes even the package is broken."

2.42. Asked if the big manufacturers could not be asked to have small sized packets so that the individual handloom weavers could purchase these chemicals, the representative of the Ministry of Commerce (Deptt. of Textiles) replied:—

> "Now, the Government have issued what is known as Packaged Commodities Regulation Order—It has been issued by the Ministry of Civil Supplies—and according to that they can indicate weight of the package and so on. But I agree with you that some standardisation of package can probably be helpful."

2.43. The Committee note that dyes and chemicals are among the important raw materials used in the production of handloom cloth. As handloom cloth is mainly popular among the people because of its exotic colour combinations, it is essential that the availability of requisite dyes and chemicals of assured quality should be ensured to the handloom weavers. Although it has been claimed by Government that the indigenous capacity for production of dyes and chemical is considered well over the demand, from the large number of representations received from persons connected with the handloom industry, the Committee note that the handloom weavers are facing considerable difficulty in getting their supplies of dyes and chemicals in time. It has also been represented that the quality of dyes and chemicals supplied to the handloom weavers is not satisfactory and in many cases adulterated.

2.44. The Committee note that at present there is no organised system for the supply of dyes and chemicals and there are no statis-

ties in the states as to the requirements of dyes. They further note that the Development Commissioner for Handlooms has asked the State Governments to prepare estimates of requirements of dyes and chemicals. The Committee recommend that Government should collect reliable statistics regarding the requirements of various types of dyes and chemicals for the handloom weavers at an early date then take concerted steps to step up the production of these dyes and chemicals which are in short supply, if necessary, by creating additional capacity. The Committee further recommend that Government should also introduce an organised system of supply of requisite dyes and chemicals to the handloom weavers by arranging bulk supplies from the manufacturers to the State Handloom Corporation and Apex Institutions and therefrom to the handloom weavers.

2.45. The Committee suggest that in keeping with this Government objective and having regard to the requirements of the handloom weavers for dyes and chemicals in smaller quantities. Government may prescribe that the leading manufacturers of dyes and chemicals should market their products in small packages with ISI Specifications, date of manufacture, contents, etc. so as to make it possible for the handloom weavers to get guaranteed dyes and chemicals without having to buy them in smaller quantities from open packeges which are liable to adulteration and other mal-practices.

C. Setting up of Processing Houses

2.46. One of the biggest handicaps suffered by the handloom sector is the absence of adequate processing facilities. Consumer preferences are undergoing drastic changes and unless handloom sector best in itsef to meet the changing demands for more and more processed goods, it will not get over the phenomenon of constant accumulations.

2.47. Processing facilities for handloom product have to be provided at two stages. One is at the pre-weaving stage and other at the post weaving stage. At the pre-weaving stage, the major requirements are for sizing in certain areas and in dyeing and hank mercerising of yarn. Thus, designing and pattern making assistance and dyeing plants are essential. After weaving, the finishing facilities to be provided comprise of finishing plants etc.

2.48. An authority connected with the handloom industry has suggested in its memorandum submitted to the Committee that:—

> "Setting up of Dye Houses and processing centres are a must for the healthy development of the industry in the decentralised sector. As the setting up of modern Dye Houses by the small weavers is not feasible. Dye Houses on the cooperative basis should be set up and the small units be enlisted as its members who may get the yarn dyed at reasonable charges. The units desirous of setting up their own Dye-houses be encouraged proprely by way of loans, technical know-how, modern machinery subsidy etc. by the Government."

2.49. An organisation connected with the marketing of handlooms has stated in its memorandum submitted to the Committee that:—

> "The facilities for processing and finishing of handloom fabrics are inadequate. Consequently it is essential to set up up-to-date Dye Houses which will provide even finishing facilities for the handloom fabrics."

2.50. The Task Force on Handlooms in its report submitted in 1972 had stated that:—

> "We had detailed discussions with the handloom interests at various places as to how best the processing facilities could be arranged. In all places, indifferent planning in the matter of the location of the processing houses and State apathy to ensure fuller utilisation were cited as major handicaps. It was evident that without constant supervision, the working results could not be satisfactory. Such overseeing cannot be ensured by the All India Handloom Board now, since the schemes form part of the State Schemes. We, therefore, recommend that setting up of processing facilities both pre-weaving and post-weaving should fall within the Central Schemes."

2.51. The Working Group on Handlooms and Powerlooms in their report submitted in December, 1972 emphasised the need for providing processing facilities in these words:—

> During our visits and discussions, it was forcefully brought to our notice, that absence of processing facilities is a great handicap for the handlooms and powerlooms. Master weavers being business people, do not provide any facility.

> They get the cloth at grey stage at distress prices and send the cloth to Bombay and other cities for processing and marketing. The benefit of higher realisation for processed cloth is thus not passed on even partially to the primary producers..... The pattern of processing assistance to the hadlooms can also be on the same lines, *viz.*, pre-weaving and post-weaving facilities being established in places where there are handloom clusters. Handloom and Power-loom Corporations which have been envisaged should be agencies to set up such facilities. These facilities should be available to all weavers—inside and outside the cooperative fold at a nominal fee to be charged—the fee being lower for weavers in the cooperative fold."

2. Asked about the steps taken by Government for providing dyeing and processing facilities to handloom weavers particularly small weavers, the Development Commissioner for Handlooms stated in his evidence before the Committee:—

> Today most of the weavers are depending on middlemen or outsiders for getting their yarn dyed and as a result there is lot of exploitation in this area. Apart from State projects where dye houses are supposed to be one of the items on which expenditure has to be incurred by every State, we have also taken up the question of setting up dye-houses in project areas. The other day we were in Mysore and we found that although there were three or four excellent concentration of handloom weavers, there was not a single dye-house under the Government or the Cooperative. Within two months there will be a dye-house in that area. With the assistance of NCDC we are taking up a very large programme of setting up dye-houses on small scale to cover groups of people."

2.53. The Committee note that at present the handloom weavers are facing considerable difficulty in regard to processing facilities and these weavers particularly small handloom weavers have to get their yarn dyed through middlemen as a result of which there is a lot of exploitation of these weavers. The Committee feel that provision of dye-houses and other processing facilities is absolutely necessary for the promotion of handloom industry in the country. The Committee, therefore, recommend that Government should undertake a time-bound programme for setting up dye-houses and other processing facilities in all those areas where there is concentration

of handloom weavers so that the handloom weavers could avail of these facilities at reasonable charges.

2.54. The Committee have in Part II of their Report on Powerlooms discussed how in Maharashtra the Marathwada Development Corporation and its associate Textile Corporation of Marathwada Ltd. (TEXCOM) have provided all such facilities for powerlooms under their jurisdiction in Aurangabad. The Committee have also noted that similar facilities have been provided for the powerlooms on a cooperative basis in Ichalkaranji. The Committee recommend that Government should undertake a programme of providing such common facilities to the handloom sector also and incentives could be provided to the handloom cooperatives in different States to set up their own dye-houses and processing houses on cooperative basis.

2.55. The Committee find that in some of the Weavers' Service Centres facilities for dyeing have been provided in an integrated manner. The Committee recommend that since dyeing is an essential process for improving the value of handlooms, it should be made an essential complement to the weavers service centres. Duty should also be cast on the service centres to encourage the setting up of processing and dyeing facilities in a cooperative manner in areas where handlooms exist in sufficiently large numbers.

2.56. Elsewhere in the Report, the Committee have dealt with the importance of extension services by the Weavers' Service Centre and evaluation of their work by this yardstick. Giving assistance to the weavers in the matter of processing and dyeing and in setting up of common processing and dyeing centres may also be considered as a part of this yardstick to evaluate their working.

2.57. The Committee also note that the Intensive Development Programme for handlooms makes a provision for setting up of common processing and dyeing facilities. The Committee stress that these processing and dyeing centres should be developed ab initio on scientific lines so as to make for the willing acceptance of the facility by the weavers and for its being adopted as a model in other areas. The Committee cannot too strongly stress the need for ensuring that the processing and dyeing facilities provided there should be the latest, most modern and forward-looking and should be economical to encourage their fuller use.

CHAPTER III

AVAILABILITY OF CREDIT FACILITIES

A. Existing position of provision of credit for handloom weavers

A vast majority of the handloom weavers in the country belong to the economically weaker section of society and do not enough capital to purchase yarn, dyes and chemicals and other requirements for carrying on their production. Moreover, as the demand for handloom cloth is mostly seasonal, there is a considerable time-lag between the production of cloth and its marketing. Hence provision of adequate credit facilities is one of the essential requisites for the development of handloom industry.

3.2. A large number of non-official organisations connected with the handloom industry in their memorandum submitted to the Committee and a number of State Governments during their discussions with the Study Groups of the Committee at the time of their on-the-spot visits to these States have pointed out the inadequacy of the present arrangements for provision of credit facilities to the handloom weavers and the difficulties being experienced by the handloom weavers in obtaining adequate credit.

3.3. An organisation connected with the marketing of handloom products in the memorandum submitted to the Committee, has stated:

> "The Cooperative Sector gets credit for working capital as per Reserve Bank of India Handloom Finance Scheme through the Cooperative Banks. Whenever the Cooperative Banks are weak, the credit facility available to the Industry is inadequate. In a similar nature if the society is unable to provide the required cover, it will not be possible for the society to get adequate facility... So far as the handloom weavers outside the cooperative fold are concerned the credit facility should be made available either through the State handloom Finance Corporations or through Nationalised Banks preferably at lower rates of interest. Differential interest scheme may be made applicable to Handloom Industry which will enable the weavers to get credit at 4 per cent interest. Till recently, the handloom weavers were getting finance from private money-lenders. Due to

> various Acts passed by the Central Government and State Governments, these sources of finance have been liquidated and as such the immediate flow of credit must be arranged to the handloom weavers as is being done in the case of agriculture."

3.4. In a memorandum submitted to the Committee, the representative of a leading organisation of Handloom Weavers has stated:

> "Barring any exception, finance for the Handloom weavers is being provided by Reserve Bank of India through the Central Cooperative Banks. These cooperative banks are meant to meet the credit needs of agriculture. For various reasons, the procedure laid down and arrangements made in this regard have yielded very poor results. Except Tamil Nadu, Andhra Pradesh and two or three States, the availing of this credit facility has not been of any worth mentioning. The Reserve Bank of India credit is made available only to the weavers cooperatives for which certain norms are fixed.... It is estimated that on an average, 30 per cent of the total looms in the country are under the societies mainly because the societies are not asked to provide work due to the lack of finances.... It is clear that hardly 10 to 12 crores of rupees by way of credit are being availed by the weavers cooperatives. A major portion of this credit is availed by weavers Apex Institutions. However, this little benefit comes directly or indirectly to a few lakh of handlooms. But no credit facilities are made available for more than 1 to 2 million of handlooms. Even under usual programme of bank credit to small artisans, these small artisans are not able to get funds."

3.5. Another representative of an organisation of handloom has stated in his memorandum submitted to the Committee:

> "In the case of handloom weavers in the cooperative sector or outside, the Government never evinced any interest to help the lacs of poor handloom weavers getting unemployed and underemployed from time to time either for want of adequate working capital or due to non-availability of required inputs. Though a few well-to do master weavers are able to comand credit facilities from commercial or nationalised banks, the small independent weavers in rural and urban areas do not command such credit facilities. They are, therefore, obliged to pay exhorbitant rates

> of interest on their borrowing from private money lenders. The position of the Weavers' Cooperative Societies is worse. They are yoked to the Cooperative financing agencies (District Cooperative Central Banks) for obtaining necessary working capital..... But majority of these Central Banks are often ineligible or incapable of passing on the said funds from the Reserve Bank of India to the weavers cooperative Societies due to the inability of the said banks to maintain the standards prescribed by the Reserve Bank of India regarding collection of loans advanced by these banks every year to their affiliated agricultural or other types of agricultural societies."

3.6. A number of State Governments have also pointed out about the inadequacy of credit facilities provided to the handloom weavers. The representatives of a State Government have stated:—

> "It may be appreciated that the assistance so far made is not commensurate with the dimension of the problems of the handloom weavers. To foster the growth and development of handloom industry large amounts of financial assistance from the Government and the National Cooperative Development Corporation and huge credits from the banks are needed. Expansion of these activities of the Apex Handloom Society and the Handlooms and Powerlooms Development Corporation is essentially required."

3.7. The representatives of another State Government have stated:—

> "At present, loans at D.R.I. rate of 4 per cent are provided only in backward districts or areas which are covered by Small Farmers Development Agency or Marginal Farmers and Agricultural Labour agency. Since the weavers are extremely poor irrespective of the district to which they belong, concessional rate of D.R.I. should be charged from them throughout the State."

3.8. The representative of another State Government have stated:—

> "The procedure of grant of loans by banks, need to be simplified and definite guidelines need to be issued to the banks for giving a certain percentage to the handlooms and powerlooms."

3.9. The representative of another State Government have stated:—

"The following difficulties are being faced by the cooperative societies in taking advantage of RBI finance:—

(1) All societies are required to deposit 75 per cent of the sale proceeds in the banks otherwise the loans are drastically cut or totally cut of. Most societies find it difficult to deposit 75 per cent of sale proceeds in the bank.

(2) The societies are expected to turn over their goods at least four times during the year. For this reason, working capital requirements are fixed at ¼th of the total production of the previous year. The sales of handloom cloth are generally sluggish and seasonal and as a result enough funds are not available to meet the day to day requirements of the society."

3.10. The following difficulties are brought forth by another State Government in regard to grant of credit facilities:—

(1) Sometimes Central Cooperative Banks are not strong enough to immediately extend financial assistance out of their own funds till the necessary funds are made available by the Reserve Bank of India. This involves a lot of time.

(2) The time taken for grant of credit facilities is very long. Sometimes it varies from 6 to 8 months.

(3) There is a lean period during the rainy season between July to September. During this period there is accumulation of stock and the societies need extra finance to tide over the difficulties, But such finance is not made available by the financing institutions."

3.11. The High Powered Study Team on the problems of Handloom Industry under the Chairmanship of Shri B. Sivaraman had also stressed the need for providing credit to handloom weavers and had made the following recommendations:—

1. In cases where the Central bank is weak and unable to obtain finance from the Apex Banks/Reserve Bank and the societies are consequently not able to take benefit of this source of finance, the effective remedy may be to arrange direct financing of the Primary Weavers Societies from the Apex Banks.

2. There is no constraint on the availability of funds from Reserve Bank for the cooperative sector. The problem is rather of the societies being unable to come upto the norms set by the Reserve Bank of India even though these norms are not excessively strict or onerous. However, it is in the best interest of the cooperative societies to observe the financial discipline laid down by the Reserve Bank and to improve their own operating efficiency within the framework of the RBI Scheme. The State Governments have, however, to ensure that the Apex Cooperative Banks and the Central Banks are fully aware of the provisions of the RBI schemes, so that they can assist societies to draw maximum advantages from this scheme.

3. The limits laid down under the RBI scheme may be revised upwards in view of the rising costs of production and living as follows:—

Cotton Handloom Weavers	Rs. 1,000
Woollen Handloom Weavers	Rs. 2,000
Silk Handloom Weavers	Rs. 2,000

4. If the cooperatives are to be encouraged any financing of a system (like handloom finance and marketing corporation set up by the State Government) which keeps people away from a cooperative is detrimental to cooperative development. The RBI should fully follow the policy of making the credit to the cooperative handloom effective and for this purpose should bring in various methods which have been inducted in the field of agricultural credit-particularly provision of share capital to the cooperatives through the State Governments. Till the RBI steps in, the NCDC should provide this facility.

5. Problems regarding financing and credit have arisen mainly because lack of proper supervision of credit, marketing arrangements and difficulties in making recoveries. Financial discipline has to be enforced and, therefore, supervision of credit by extension staff and efficient marketing are of prime importance.

3.12. Asked about the steps taken to provide requisite finance and credit facilities to the Handloom Industry, the Ministry of Commerce (Deptt. of Textiles) have stated in a written note furnished to the Committee:—

> "Working capital loans at subsidised rate of interest are being made available to handloom cooperatives under the Reserve Bank of India Scheme for Handloom Finance. Loans to the handloom cooperative societies are given at 1½ per cent below the bank rate. The Reserve Bank of India have recently increased the working capital limits from Rs. 700 per handloom to Rs. 1,000 per handloom in the case of cotton handlooms and to Rs. 2,000 in the case of non-cotton handlooms. These facilities are available to the cooperative sector........In the case of handloom cooperatives total credit limits sanctioned by the Reserve Bank of India and the credit availed of the handloom cooperatives during the year 1968-69 to 1973-74 are as follows:—

Year	Limits sanctioned	Drawals on the limits
		(Rs. in lakhs)
1968-69	736.80	812.43
1969-70	818.36	948.84
1970-71	1012.37	1236.22
1971-72	1276.16	1496.02
1972-73	1399.32	912.78
1973-74	1453.92	1329.09

3.13. Asked to state the credit limits sanctioned for the Handloom Cooperatives and the actual drawals under the Reserve Bank of India Scheme of Handloom Finance for subsequent years, the Department of Textiles have furnished a statement giving the following information for the year 1975-76 and 1976-77:—

(Rs. crores)

Name of the State	Limits sanctioned		Outstanding as on	
	1975-76 (Financial year)	1976-77	31-3-76	28-1-77
Andhra Pradesh	3·64	6·66	2·42	2·82
Haryana		0·04		
Karnataka	0·19	0·24	0·12	0·13
Kerala	1·54	1·65	0·41	
Maharashtra	0·87	0·80	0·40	
Madhya Pradesh	0·13	0·20	0·11	0·16
Orissa	0·18	0·42	0·15	
Punjab	..	0·03	..	
Pondicherry	..	0·13	..	—
Rajasthan	0·02	0·04	0·0	0·01
Tamil Nadu	13·54	15·57	7·76	4·10
Uttar Pradesh	0·02	0·15	0·02	
West Bengal	..	0·14	..	..
TOTAL	20·13	26·07	11·40	7·22

For looms outside the cooperative sector, the requirements of finance are met through the agencies at State level, such as Handloom Development Corporations. The State Governments are also taking actions to strengthen the share capital base of such organisations."

3.14. Asked about the details of the Reserve Bank of India Scheme for financing weavers societies, the Committee have been informed in a written note that:—

"The Reserve Bank of India provides financial accommodation to the cooperative banks for financing the activities of the apex/regional weavers societies and the primary weavers societies functioning on production-cum-sale pattern.... The accommodation for financing the weavers societies both apex/regional and primary weavers societies is provided under a scheme drawn up by the bank in 1956 in consultation with the Government of India. This scheme

> is known as Reserve Bank Scheme of Handloom Finance. Under the scheme the Reserve Bank provides financial accommodation to state cooperative banks directly for financing the procurement and marketing of cloth by the apex|regional weavers societies and on behalf of the Central|industrial cooperative banks for financing the production and marketing activities of the primary weavers societies at 1½ per cent below the bank rate against the guarantee of the concerned State Governments on the condition that in the case of accommodation for financing the handloom weavers societies and their federations, banks will charge the same rate of interest from the societies at which advances are made by the Reserve Bank. A subsidy of interest is to be given by State Governments to financing banks to compensate them for the loss incurred by them by lending to handloom weavers societies|their federations at a rate lower than the normal rate. The rate of subsidy at present is 3 per cent."

The other details of the scheme have been given in (Appendix V).

3.15. Asked about the present rate of interest at which loans are being given by Reserve Bank of India to the Central Cooperative Banks under the Reserve Bank of India Scheme for Handloom Finance and the rate of interest at which the loans are granted by the Cooperative Banks to the handloom weavers, the Department of Textiles have stated in a note (December, 1977):—

> "Under the Reserve Bank of India Scheme for Handloom Finance, loans are being given by Reserve Bank of India to State Apex Cooperative Banks at 7½ per cent and State Apex Cooperative Banks pass on these loans to Central Cooperative Banks on 7½ per cent. State Governments are giving subsidy to State Apex Cooperative Banks, and District Central Cooperative Banks to meet their costs. Provision for this subsidy is being made in the State annual plans.
>
> Central Cooperative Banks are required to give finance to handloom weavers under RBI Scheme at 7½ per cent. Generally this rate is being charged. But in certain States rate of interest charged is different. In Andhra Pradesh loans are given to handloom weavers by Central Cooperative Banks at 8½ per cent under the scheme.

Some of the District Central Cooperative Banks have increased the rate at which they are lending due to incidence of Interest Tax which amounts to about 1 per cent. This matter has been examined by this office in consultation with Planning Commission and it has been agreed that a higher subsidy may be given to the Apex and Central Cooperative Banks to off-set the incidence of interest Tax being passed on to weavers.

3.16. The rate of interest on which Central Cooperative Banks are financing handloom weavers out of their own funds by different States is given below:—

Name of the States	Rate of which Central Cooperative Banks are providing finance to handloom weavers out of their own funds
Maharashtra . .	9 to 16%
Punjab .	11 to 12%
Orissa	11 to 14%
Madhya Pradesh . . .	11½%
West Bengal	12 to 15%
Karnataka	14 to 16%
Chandigarh	15½%

3.17. Asked to furnish a statement giving the amount of loans granted by Reserve Bank of India to handloom sector in each State during the last five years, the Department of Textiles have furnished statements giving the amounts of limits sanctioned, drawals and outstanding at the end of March for the financial years 1971-72, 1972-73, 1973-74, 1974-75 and 1975-76 (Appendix). It is seen from the statements that out of total drawals of Rs. 18110.92 lakhs during these years as much as Rs. 6643.85 lakhs i.e. 66 per cent was availed of by the State of Tamil Nadu and Rs. 1903.69 lakhs i.e. 18.1 per cent was availed by the State of Andhra Pradesh. Similarly the share of Kerala was 7.6 per cent and Maharashtra 4.3 per cent. The share of all the remaining States was only 2.8 per cent.

3.18. Asked what were the reasons that practically the entire amount of Reserve Bank Scheme for Handloom Finance had been availed by these four States only and if a review of this policy had been made to ensure equitable availability of finance to all the States according to the number of handlooms the representative of the Reserve Bank of India stated in his evidence before the Committee:—

> "It is a fact that most of our credit facilities are given in four States. There we have prescribed certain norms for giving credit. For this purpose operational efficiency of the handloom cooperative industry is taken into account. First, we look to the turnover, the total production, we see whether the society is a production-*cum*-sale society or not, whether the society has been functioning in the rural area etc. we go into all those aspects, and it is found that a majority of cooperative societies were inactive and dormant in several States. Normally those societies do not come up to the standard of eligibility. Another thing is that it is no use making available finance to sick units which may not be able to utilise the funds."

3.19. Asked if the standards fixed by the Reserve Bank of India were too high and had the Reserve Bank considered the question of bringing down these standards, the representative of the Reserve Bank replied:—

> "The first thing is that we expect turnover to be good enough and we are not very rigid. We expect that about 50 per cent of the sale proceeds of the society should be remitted to cash credit account. But we are not rigid on this account. We do take into account the local difficulties of the societies, because some of these societies may be situated away from the bank. Another aspect that we take into account is the total production and sale of the previous year. We do have to take into account the sale because we have found in many cases that due to poor marketing and other difficulties, large stocks had accumulated and the position of the societies had been very bad and they were unable to come out of the trouble. So the solution lies somewhere else. The real crux of the problem is marketing which caused imbalance in various States."

3.20. The representative of the Department of Textiles stated:—

> "This unevenness in the flow of Reserve Bank finance is not peculiar to the handloom cooperative sector. In the agriculture cooperative sector, five states—Punjab, Maharashtra, Gujarat, Tamil Nadu and one more practically account for 80 per cent. So, it is a much bigger problem of the

> cooperative movement as a whole......... just as in the agricultural field, having knowledge of this phenomenon, the Government has devised a special set of programmes funding specifically for that purpose, we may have to do something on those lines. In another year's time, we would be engaged in the Sixth Plan formulation. There we have to think of major steps to see that this unevenness between one State and another in the handloom sector is reduced, if not eliminated."

3.21. Asked if Government were thinking of changing some of the norms in the case of weaker sections, the representative of the Reserve Bank replied:—

> "By changing the norms in relation to the efficiency of handloom cooperatives, perhaps we would be making the weaker sections merely indebted. We may give them money, but if they do not have the necessary infrastructure, it will not be useful... Therefore, primary infrastructure has to be strengthened... So when the revitalisation and reorganisation programme is completed, we shall definitely consider changing some norms, but the pre-condition will be strengthening of the infrastructure."

3.22. Asked about the reaction to the suggestion that the existing limits of grant of RBI advances to cooperative societies may be extended to 40 per cent as against the present limits of 25 per cent of the annual turnover, the representative of the Reserve Bank of India stated:—

> "We have been at it and we are examining it from two angles. Firstly, in the case of genuine difficulty we shall consider some kind of relaxation and sanction limits to the extent of more than 25 per cent of the production and also additional limits during slack season. If these relaxations do not make it possible to take care of the problems of the society on selective basis on the recommendations of the State Government, we shall consider further relaxation.... Our standards are in conformity with the business efficiency norms. Relaxation in the norms could be considered on a selective basis. For instance we can agree what we cannot have the same standard in hill region where banking facilities are not as goods as in other States."

3.23. Asked if any complaints have been received about the procedure of the Reserve Bank of India in granting loans, the representative of the Reserve Bank stated:—

> "About the procedure, the types of complaints which we have received are more in the nature of ignorance on the part of field workers of the district central cooperative banks to prepare the applications. We are aware of this kind of shortcomings and we are considering to train them in this. We have been thinking of organising some kind of a quick training and orientation courses."

3.24. The Development Commissioner for Handlooms stated:—

> "We had discussions with 4 groups of States in the South, North, East and West. One more round of discussions is expected to be held with the Reserve Bank within the next 2 or 3 weeks, to find out the factual position *i.e.*, whether the 25 per cent had proved adequate, or whether a general relaxation was justified... The statistical information which we have gathered at the meeting showed that in almost all the States, barring 1 or 2 centres in each of the States where the production have a very ready market there were societies which had 6 times a year turnover. But, in general, the turnover is occuring at the very best, only at the rate of 3 times a year. The turnover, of 4 times is, therefore, unrealistic. As such, we have taken up the matter with the Reserve Bank to say that it should not be a selective matter to be taken up with each and every State. We will have a further dialogue."

3.25. Asked what assistance is given by the financial institutions to handloom weavers to tide over the slack season, the representative of the Reserve Bank of India replied:—

> "During the slack season, particularly the apex societies responsible for marketing the cloth come to us for special credit limits, and we do sanction them additional limits, so that they can sustain themselves till Pongal or Deepawali."

3.26. Asked what action has been taken on the suggestions of the Reserve Bank of India to the Government regarding formation of small groups at State level to deal with the assessment of working capital requirements of weak societies and to make recommendations for changes, if any, te representative of the Department of Textiles stated:—

> "We in the Central Government have accepted this particular suggestion. In fact we have asked the States, particularly those States where the handloom programme is important to constitute State-level Committees consisting of Director of Handloom, the Registrar of cooperatives, the Managing Director of the State Cooperative Bank, the Managing Director to the apex handloom society. We have also said that this Committee should try and meet once a month and review the implementation of this particular programme. The Circular was issued very recently, i.e., in November."

3.27. Asked if any complaints had been received by Government regarding delay in grant of loans by State Cooperative Banks and if so, what corrective measures are being taken in this regard, the representative of the Department of Textiles stated:—

> "I would say that the delay is really on the level of the district Central cooperative bank and not of the State cooperative bank. The zonal meetings had gone into this. One of their suggestions is that in each State level bank, a handloom cell should be created which would specifically look after the problems, procedural difficulties and other aspects pertaining to handloom finance. In other words, a small nucleus or cell in each district Central Cooperative Bank is being thought of."

3.28. Asked if it was a fact that most of the district Central Cooperative Banks are controlled by agricultural interests only and if so, how the interests of handloom weavers are being looked after, he replied:—

> "This particular problem is a very genuine one. The District Central Cooperative Bank is a bank owned and controlled primarily by agricultural interests. As such, agriculture necessarily predominates in this particular structure. If we set up a separate bank to look after the interests of handloom weavers, artisans or shoe-makers there will be a problem of generating enough funds etc. Some way of organising the working of these institutes should be found, to ensure that while agriculture remains their pre-occupation, they do not neglect other sectors. As and when we

> have a proper officer within the banks looks after handlooms, as and when we organise more and more viable societies which repay regularly, such banks as credit agencies will have an incentive to look after handlooms better. It is a process which has to be developed generally. We hope that as handloom cooperative become better users of the Central Cooperative Bank, the handloom societies will also begin to commend better attention....... Unlike the Agricultural side, when there are essentially service cooperatives, the handloom cooperatives are basically production-*cum*-sales societies. Therefore by and large our efforts is whenever possible to organise separate cooperative societies for weavers. If they are too small to have a separate society, they become members of the local multi-purpose or farmers society and get credit facilities out of that."

3.29. When asked if government had made any assessment of the credit needs of the handloom sector and how far these credit needs are being met the representative of the Department of Textiles stated:—

> "Our rough computation is that the credit requirements are around Rs. 300 crores. The total volume of institutional credit currently is: Cooperatives a little over Rs. 20 crores and commercial banks around Rs. 5 crores, totally about Rs. 25 or Rs. 26 crores."

3.30. The Committee note that provision of adequate credit facilities to the handloom weavers is one of the essential requisites for the working and development of handlooms in the country. As the handloom weavers belong to the economically weaker sections of society and require finance for purchase of yarn, dyes and chemicals and for carrying on their production till their products are marketed, they generally depend upon the master weavers for the provision of requisite finance who not only charge exorbitant rates of interest but also exploit these weavers in many other ways. The Committee feel that if these handloom weavers are to be saved from exploitation, suitable channels of providing adequate credit facilities to them on liberal terms will have to be provided and proper employer-employee relations should be established between weavers and factory owners| Master Weavers.

3.31. The Committee, however, note that at present, the credit facilities to the handloom weavers are totally inadequate. Only a

small percentage of the credit requirements of weavers are being met through organised channels like loans under the Reserve Bank of India Scheme for Handloom Finance and Commercial banks etc. As has been admitted by the representative of the Department of Textiles in his evidence before the Committee, against an estimated annual credit requirements of Rs. 300 crores only Rs. 25 crores to 26 crores are being provided, Rs. 20 crores by the Reserve Bank of India and Rs. 5 crores by the Commercial banks. The Committee are distressed to note that hardly 10 per cent of the credit requirements are being met by financial institutions and for the remaining credit, the handloom weavers have to depend on Master Weavers or money-lenders. The Committee would like to point out that as the measures taken by Government for the removal of rural indebtedness are likely to dry up the credit from non-institutional sources, special arrangements will be required to meet the credit needs of the weaker sections like handloom weavers and concerted efforts will have to be made to meet their requirements from the cooperative structure and the commercial banking sector, including regional rural banks. The Committee recommend that Government should step up considerably the present arrangements for providing credit facilities to the handloom weavers so that their credit requirements may be met by the financial institutions and the dependence of the handloom weavers on the master weavers may be greatly reduced if not altogether eliminated. The Committee would like Government to prepare a well-thought out detailed programme for meeting the credit requirements of the handloom weavers by institutional finance and evaluate the progress of this programme periodically.

3.32. The Committee note that at present the main source of providing credit facilities to the handloom weavers is through the Reserve Bank of India Scheme of Handloom Finance under which Reserve Bank of India loans are given to handloom cooperative societies at 1½ per cent below the bank rate. The Committee, however, regret to observe that a large majority of the cooperative societies in the country have not been able to take advantage of this facility for one reason or the other and as much as 97.2 per cent of the total loans granted have been availed of by four States only viz. Tamil Nadu, Andhra Pradesh, Kerala and Maharashtra.

3.33. The gross inequity and imbalance in the drawal of loan under RBI scheme of Handloom Finance is evident from the fact that during the years 1971-72 to 1975-76 while Tamil Nadu and Andhra Pradesh with 5.50 lakhs and 5.97 lakhs handlooms drew Rs. 6643.85 lakhs and Rs. 1903.69 lakhs respectively, U.P. with 5·09 lakhs handloom drew Rs. 25.88 lakhs only under this scheme. Further, while Maharashtra with 1:85 lakhs handlooms drew Rs. 784.90 lakhs, Rajasthan and West Bengal with 2.01 lakhs and 1.85 lakh handlooms drew Rs. 4.73 lakh and nil respectively during the same period.

3.34. It was explained by the representative of the Reserve Bank of India that they had prescribed certain norms for giving credit like the operational efficiency of the handloom industry, the total production-cum-sales of the society, etc. They also felt that it was no use making finance available to sick units which may not be able to utilise properly the funds.

3.35. In this connection the representative of the Department of Textiles informed the Committee that this uneveness in the flow of Reserve Bank finance is not peculiar to the handloom cooperative sector. In the agricultural cooperative sector, for instance, five States viz., Punjab, Maharashtra, Gujarat, Tamil Nadu and one more practically account for 80 per cent. The Committee are unhappy at the gross imbalance in the flow of Reserve Bank credit to the handloom weavers in the various States. As has been pointed out above there are a number of other States like Uttar Pradesh, Bihar, West Bengal and Rajasthan which have a very large number of operative handlooms but where the credit drawn is negligible. The Committee would have normally expected the Reserve Bank to evaluate, after a lapse of 5 years, the working of their scheme of handloom finance which was started in 1956, with a view to identify the reasons why the benefits of the scheme were availed of by a few States only and taken suitable remedial measures in consultation with the State Governments concerned to ensure that the credits made available under this scheme are equitably drawn by all the States more or less in proportion to the existence of operative handlooms in their areas particularly when finance has been a major bottleneck in the development of handloom industry. It is unfortunate that this was not done so far. It is distressing to note that similar position prevails in the flow of Reserve Bank finance in respect of other areas as also, like agricultural cooperative sector. The Committee would like Government Reserve Bank of India to undertake an indepth study of the problem of uneven flow of their bank credits under the various schemes to the various States and ensure that the credit under these schemes are availed of by the various sectors in the different States in proportion to magnitude of the problem existing therein. Whatever remedial measures are required to achieve this end, like strengthening of infrastructure etc., should be taken in consultation and coordination with the State Governments concerned. The Committee are of the view that the States which are organisationally weak in taking advantage of the schemes floated by the Centre or the Reserve Bank etc., should receive special attention so as to remove this lacuna. The Committee would like to be informed of the specific steps taken to improve the condition in this regard particularly for the handloom sector within a period of three months.

3.36. The Committee have in a subsequent Chapter discussed in detail the reasons for the handloom cooperative societies becoming sick or dormant and suggested measures for revitalising them. Now that the Government have undertaken a programme for revitalisation of the dormant and sick societies, the Committee recommend that Government should take concerted measures to help these societies and make credit available to them so as to make these societies financially viable and in a position to conform to the requirements of the norms prescribed by the Reserve Bank of India.

3.37. The Committee further note that one of the other reasons why the cooperative societies have not been able to avail of the credit scheme of the Reserve Bank of India is that office-bearers of these societies are not acquainted with the procedure and norms for the grant of such loans. The Committee recommend that Government, in cooperation with the Reserve Bank of India should initiate a time-bound programme of training for the office-bearers of these societies so as to acquaint them with the procedural formalities and norms prescribed by the Reserve Bank of India. The Committee further rcommend that the field staff of the Directorate of Handlooms and the Cooperative Departments in the State Governments should also assist these cooperative societies in filling up the application forms and fulfil other procedural requirements so as to enable these societies to get loans from the Reserve Bank.

3.38. The Committee further note that the Government of India have issued a circular in November, 1976 to State Government to form State-level committees consisting of Director of Hondlooms, the Registrar of Cooperative, the Managing Director of State Cooperative Bank and the Managing Director of the Apex Handloom Society to review the implementation of the programme of providing finance to Handloom cooperatives. The Committee feel that the formation of such State-level Committees is a step in the right direction. The Committee recommend that Government should ensure that such Committees are set up in all the States immediately, if not already done and should hold regular meetings and review the progress made in the implementation of this programme so that bottlenecks in the way of providing such finance may be quickly identified and timely corrective measures to plug the loopholes taken. The Government should also look into the procedures laid down for grant of loans with a view to simplify them. The Committee would like to be informed of the progress made in this regard.

3.39. The Committee note that under the Reserve Bank of India scheme for Handloom Finance, loans are being given by the Reserve Bank of India to State Apex Cooperative Banks at 7½ per cent and State Apex Cooperative Banks pass on these loans to Central Cooperative Banks at the same rate. The State Governments are, it is stated, giving subsidy to these banks to meet their cost and provision for this subsidy is made in the State annual plans. The Central cooperative Banks are required to give finance to handloom weavers under RBI scheme at 7½ per cent. Generally this rate is being charged but in certain States rate of interest charged is higher because of the the incidence of interest tax which amounts to about 1 per cent. The Committee are informed that it has now been decided in consultation with the Planning Commission that higher subsidy may be given to the Apex and Central Cooperative Banks to off-set the incidence of interest tax being passed on to weavers. The Committee would like Government to keep this matter under constant watch to ensure that the rate of interest charged from Handloom weavers under the RBI scheme does not exceed the prescribed rate of 7½ per cent in any State.

3.40. The Committee are, however, concerned to note that the rate of interest being charged by Central Cooperative Banks for loans advanced to weavers out of their "Own" funds is very high, the rate ranging from 9 to 16 per cent in certain States. The Committee feel that the Government should study this matter in depth in consultation with the States and persuade these Banks to bring down the rate of interest to a level which should be equitable and reasonable keeping in view the poor economic condition of the handloom weavers.

3.41. The Committee note that at present Reserve Bank of India is granting loans at the rate of 25 per cent of the annual turnover of a Society. It has been represented to the Committee that as the demand for handloom cloth is mostly seasonal in nature, this limit should be increased to 40 per cent. The statistical information gathered by the office of the Development Commissioner for Handlooms also shows that by and large, the estimate of 4 times of turnover during a year, is unrealistic. The Committee, therefore, recommend that the Reserve Bank of India re-examine the position in the light of statistical information collected by the Office of the Development Commissioner for Handlooms and take steps, for increasing the credit limit to 40 per cent of the previous year's turnover.

3.42. The Committee recommend that steps should also be taken for providing credit on an ad hoc basis to the handloom cooperative societies during slack season so that the societies may tide over their temporary difficulties and the production may not suffer because of accumulation of stock and consequent shortage of capital.

3.43. The Committee note that there have been considerable delays at the level of district cooperative banks in granting loans to handloom weavers societies as most of these banks are controlled predominantly by agricultural interests and the handloom sector is not given due importance by these district cooperative banks. The Committee, therefore recommend that there should be a separate cell in every district cooperative bank under a separate officer to deal with the handloom weavers cooperative societies and this cell should ensure that there are no undue delays in the grant of loans to handloom weavers. The State Directorates of Handlooms should maintain continuous liaison with Handloom Cells in the District Cooperative Banks to ensure that these cells function effectively and any difficulties experienced in the working of these cells are removed expeditiously.

B. Procedure of grant of loans by nationalised banks

3.44. The Reserve Bank scheme of Handloom Finance is providing credit only to the co-operative sector of the Handloom Finance. As hardly 30 per cent of the handloom weavers are covered by cooperatives, the remaining 70 per cent of the weavers have to depend upon banks and other agencies such as State Handloom Development Corporations for obtaining credit. A number of non-official organisations and some State Governments have represented about the inadequacy of credit provided by the commercial banks as well as about the procedure adopted by these banks for the grant of credit to handloom weavers.

3.45. Another difficulty being experienced by the handloom weavers in the country is regarding the high rate of interest charged by the banks from the handloom weavers. While weavers falling in the areas covered in the DIR scheme are getting loans at 4 per cent rate of interst, in other areas the rate of interest charged is as high as 12 per cent to 14 per cent. It has been represented that as handloom weavers being to weaker section of society and are equally handicapped everywhere, there is no justification for charging different rates of interest.

3.46. Asked about the steps taken for simplifying the procedure of grant of loans by nationalised banks to handloom weavers and the time-lag between the receipt of application and grant of loan by nationalised banks and steps taken to reduce the time-lag, the Deptt. of Textiles have stated in a written note furnished to the Committee:

> "The Dpartment of Banking in their letter dated 1st September, 1976 have issued instructions to all the public sector banks for expeditious disposal of small loan applications involving credit limit of Rs. 10,000/- or below within a period of 3 to 4 weeks from the date of receipt of such application.
>
> By anotehr Circular dated 27th January, 1977, the Department of Banking have issued instructions to all the public sector banks for expeditious disposal of loan applications involving credit limit of Rs. 10,000|- and above.
>
> Copies of the above circulars have been forwarded by the office of the Development Commissioner for Handlooms to the State Government drawing their attention to these circulars. At present the State Handloom Development Corporations have worked out a scheme under which the loan amount sanctioned to the individual weavers by commercial banks is credited to the accounts of the Corporations and debited to the accounts of the respective weavers while yarn supply and other inputs for the weavers are arranged by the Corporations."

3.47. Asked about the reaction of the Government to the suggestion that the handloom weavers should be given loans throughout the country at differential rate of interest, the representative of the Department of Revenue and Banking (Banking Wing) stated in his evidence before the Committee:—

> "About the differential rate of interest, the question of modification of the scheme is still under consideration of the

> Government. As regards enabling the handloom sector to get loans at 4 per cent rate of interest, we have got similar demands from others like Khadi Boards, landless persons and so on. Our kitty being limited, if the number of categories increase, it will only mean spreading the butter thinner."

3.48. The Development Commissioner for Handlooms stated:—

> "We ourselves have said that it would be extended at 4 per cent uniformly, whether it is the commercial banks which are lending or the cooperative banks, and we have further gone ahead and said that those who are lending should have access to refinance under the Reserve Bank of India Scheme."

3.49. The Committee note that the Reserve Bank of India Scheme of Handloom Finance is applicable only to the cooperative sector and as more than 70 per cent of the handloom weavers are outside the cooperative sector, the only sources of finance available to them are the Nationalised Banks or the private money-lenders. Because of the various legislations passed by the Government, it is becoming increasingly difficult for the handloom weavers to obtain finance from private money-lenders and they have to depend increasingly on the nationalised banks for meeting their credit requirements. However, the Committee note that handloom weavers have not been able to get loans from the nationalised banks in large numbers because of the procedure adopted by these banks and also because the handloom weavers being uneducated and poor are not in a position to offer adequate security or fulfil other procedural formalities. The Committee, further recommend that Government should impress upon the nationalised banks to simplify their procedure so that even the poor and uneducated handloom weavers may be able to get credit facilities from these banks. Moreover, the field staff of the Directorate of Handlooms in the States as well as the Banks should assist the handloom weavers in filling up the application forms and complying with other procedural formalities so that maximum number of handloom weavers may avail of the credit facilities from these banks.

3.50. This is a widespread feeling that the attitude of the bank officials is unhelpful to the handloom weavers. The Committee recommend that Government should make sure that bank authorities are made to adopt a helpful and favourable attitude towards the weavers in the matter of grant of loans.

3.51. The Committee note that at present while handloom weavers in certain districts where DRI rate is applicable are getting loans at 4 per cent rate of interest, in other districts, the handloom weavers get loans at 12 to 14 per cent rate of interest which turns out to be much higher in actual practice. As handloom weavers belong to the weaker sections of society, and face similar problems throughout the country, the Committee fail to understand the logic behind this difference in the rate of interest charged from the handloom weavers. The Committee are not convinced with the argument advanced by the representative of the erstwhile Department of Banking that there has been similar demand from other sectors, and if the number of categories increase, it will be difficult for them to agree to this demand. The Committee recommend that as the handloom weavers throughout the country belong to the weaker sections of the society and as the development of handloom sector has been given priority in the country's economic programme, they may be granted loans more extensively by nationalised banks at the rate of 4 per cent. The Committee also recommend that the total bank credit to be given under DRI Scheme should be raised in order to cover the handloom weavers in all the States.

C. Grant of Loans to Handloom Weavers on Group Guarantee basis.

3.52. Most of the handloom weavers belong to the economically weaker sections of society and are not able to obtain loans from the banks as they are not able to offer adequate sureties for the purpose. The Committee have, however, been informed by the Govrnment of Haryana that:—

> "The handoom weavers belong to the poorest section of society and their number is also very large. At present most of them depend on middlemen for finance to meet their requirement of raw material. They also have to dispose of finished products at lower rates because of shortages of finance. It is, therefore, necessary that the banks liberally finance these weavers. Meetings were held with various banks in which the problems of financing the weavers was discussed. It has been possible to evolve a very good scheme of advancing working capital loan to the weavers on group guarantee basis. This scheme has proved very successful. Under this scheme the weaver is not required to give any security or surety. Loans is advanced to a group of weavers on the guarantee of the group which consists of 5 or 6 weavers. In Haryana more than Rs. 22 lakhs have been distributed under this scheme @ Rs. 1,000/- per loom."

3.53. Asked if any assessment has been made of working of the above scheme and if steps are being taken by government to introduce similar schemes in other States, the representative of the erstwhile Department of Revenue and Banking (Banking Wing) stated in his evidence before the Committee:—

> "In such cases, instead of personal guarantee, bank take group guarantee from four to six persons....In U.P. they have sanctioned a number of schemes on group guarantee basis."

3.54. The representative of the Department of Textiles stated:—

> "From the material available in Haryana the total number of beneficiaries is 669 and the amount drawn is Rs. 15 lakhs, so that it is still at the beginning stage. I cannot tell you the exact amount, but a number of schemes have been sanctioned in U.P. on group guarantee basis."

3.55. The Committee note that as handloom weavers belong to the weaker sections of the society, they are not able to obtain adequate loans from the commercial banks as they are not always able to offer requisite security against these loans. The Committee are glad to note that recently some of the State Governments like Haryana and U.P. have evolved a scheme known as Group Guarantee Scheme under which the handloom weavers are not required to give any individual security and the loans are given to a group of 5 or 6 weavers on group guarantee basis. The Committee further note that in these States loans have already been distributed to handloom weavers under this scheme. The Committee feel that this is a useful scheme. The Committee would like Government to make a study in depth of the working of this scheme and evaluate its working and if the results are found encouraging, steps should be taken to get similar comparable schemes introduced in other States also so that poor handloom weavers who cannot offer individual security may be able to obtain loans from commercial banks in large numbers.

CHAPTER IV

TECHNICAL ASSISTANCE

A. Working of Weavers Service Centres

One of the reasons for the poverty and low earnings of handloom weavers is that most of the handloom weavers are still working on old and outdated handlooms using obsolete techniques of production and designs with the result that the quantum of production is very meagre and is also not suited to market demand. This clearly emphasises the need for use of modern methods of production and appliances in the handloom industry.

4.2. Asked to state what steps have been taken by Government to provide technical assistance etc. to the Handloom Industry in the matter of improvement of material used, quality of finished products, designs and processes of manufacture etc., the Department of Textiles have stated in a written note furnished to the Committee:—

> "For the purpose of development of designs and technical assistance, the Central Government have set up 14 Weavers Service Centres and one more such Centre is likely to be set up during the current year, and two Institutes of Handloom Technology. The Weavers Service Centres conduct research and experiments and render technical assistance required by the handloom weavers. The Centres also prepare samples, colour combinations and paper printed designs for the benefit of the weavers. They also impart short-term training in the use of the improved appliances and advanced techniques of weaving, dyeing and finishing and pattern making. The Institutes, besides providing long term training, conduct research in improving the methods of production."

4.3. A number of representatives of non-official organisations in their memorandum submitted to the Committee as well as a number of State Governments have, however, pointed out that the benefits of these Weavers Service Centres have not percolated to the actual weavers and have not made any appreciable impact.

4.4. A representative of a cooperative organisation connected with the marketing of handloom products, has stated in his memorandum submitted to the Committee:—

> "The Government of India have set up Weavers Service Centres in various States for the purpose of technical devolpment in evolving new designs in attractive colour combinations, new textures and also to render technical service to the industry for development of new designs. Since the existing Weavers Service Centres are limited in number, although they are evolving new designs, weavers are not being benefited due to inadequate policy for implementing in design centre. Improved designs etc. never percolate to the actual weavers. Having regard to the above aspect, the Sivaraman Committee has recommended to increase the Centres and also strengthen them.

4.5. Another representative of a handloom organisation has stated:—

> "The staff appointed by the Government is quite inexperienced and renders no technical assistance to the weavers. The directors of industries in each State may be advised to instruct their technical staff to go to the industries and render some help in improving the quality of goods and designs etc."

4.6. It has been stated in another memorandum submitted to the Committee:—

> "The technical guidance provided by the Government is not reaching up to the individual weavers. Service Centres located at various places are found to be not useful to the weavers practically, as those are not situated at handloom centres in the States. The sites for these Centres are selected mainly to suit the convenience of the officials having disregard to the purpose of the Scheme and utility to the weavers."

4.7. The representative of a Weavers Organisation stated in his evidence before the Committee:—

> "The idea is to undertake research on the important varieties and produced new varieties and designs and sell them free of cost to the weavers. That is a good idea, no doubt. But unfortunately much of the benefits is going to the middlemen......Unless mass weavers involve-

> ment is there in the scheme, the scheme will not be beneficial to the small people......Now, it is simply managed by the unit of the Corporate body in an isolated manner and it is not giving them a feeling that it is meant for them......They should have some knowledge about this scheme, about the refresher course, about stipend and certain other facilities because according to the general tendency of our countrymen that any new scheme or proposal will not be welcomed at first and they will resist even though it will be more useful to them after some time. When they are convinced, they will take it up."

4.8. Asked about the functions, working and achievements of the Weavers Service Centres and Institutes of Handloom Technology, the Department of Textiles have stated in a written note furnished to the Committee:—

> "At present there are 14 Weavers Service Centres and 8 Institutes of Handloom Technology located in the various States. The Weavers Service Centres are at Bombay, Madras, Kancheepuram, Vijayawada, Calcutta, Bangalore, Indore, Meerut, Varanasi, Cannanore, Panipat, Bhagalpur, Bhubaneswar and Imphal. The Institutes are located at Salem and Varanasi. The set up of the Weavers Service Centres covers a Design Section, Dyeing and Printing Section and Weaving Section. In addition to this there are facilities of well equipped photographic sections at Bombay and Madras sections."

4.9. It has further been stated in the note that:—

> "The first Weavers Service Centre was established in 1952. Thereafter 13 Centres have been added. Both the Institutes have been in existence even before that. At this stage it is difficult to make an assessment of the activities and performance of these Centres and Institutes for such a long period. However, details of the activities and performance of the Centres and Institutes for the Financial year 1975-76 have been given. Similar services were being rendered by these Centres and Institutes for all these years. During the period under review the Centres have rendered considerable assistance to exporters and export organisations like Handicrafts and Handlooms Export Corporation of India Ltd., All India Handloom Fabrics Marketing Cooperative Society Ltd., as well as various cooperative societies."

4.10. During the period under review, the Institutes of Handloom Technology have trained candidates as follows:—

Long Term Training—1st year 74
2nd year 91
3rd year 84

The Weavers Service Centres have trained a total of 116 candidates out of which 5 were from foreign countries and 3 were from cooperative societies. The candidates were given training in various faculties like dyeing, printing, designing and weaving.

The brief summary of the work done by the various Weavers Service Centres and Institutes is given below:—

1.	Total number of designs produced	7,900
2.	No. of designs evolved on looms	4,481
3.	No. of Samples woven	5,697
4.	No. of colour combinations	7,580
5.	No. of warps prepared	1,108
6.	No. of deying carried out	7,430
7.	Quantity dyed (meters)	3,547·48
8.	Quantity of meters bleached	1,284·10
9	Quantity of matrial scoured	4,012·96
10.	No. of printings carried out	4,211
11.	No. of photographs taken	523
12.	No. of srceens made	60
13.	No. of photographs printed	1,101
14.	No. of designs/samples sold	9,228

During the period under review a total amount of Rs. 2,76.327.09 has been realised on account of sale of sample designs and services charges etc.

4.11. The total expenditure by way of pay and allowances, T.A.; other charges etc. during the year under review comes to Rs. 61,71,515.41.

4.12. Asked if Government have conducted any survey of the training needs of the handloom industry and if any training programme in this regard have since been taken up, the Department of Textiles have stated in a written note submitted to the Committee:—

> "No systemtic survey of the training needs in the handloom industry appears to have been conducted, though a broad assessment was made by the Fact Finding Committee and the Kanungo Committee as well as the Working Groups on the Handloom Industry, a few decades back.
>
> A number of State Governments have their own training schemes, details of which are not available with us, however, under the Central Government, we have two types of courses of training:—
>
> (a) Short-term training.
>
> (b) Long-term training."

4.13. Asked what steps have been taken to involve the small handloom weavers in the working of Weavers Service Centres and acquainting them with the benefits accruing from these centres, the representative of the Department of Textiles stated in his evidence before the Committee:—

> "With regard to the short-term and long term courses—particiticularly short-term courses—there has been no problem. Now the demand is much more than can be met, particularly during the last 1½ years."

4.14. Asked if these centres also organised seminars and exhibitions, the Development Commissioner for Handloom stated:—

> "They are doing it. In Varanasi, we had an exhibition about a month back. 4 months earlier, we had another exhibition.....Just as the Department of Agriculture has a Demonstration Day for 3 or 4 days, the Weavers Service Centres also will have an open house where the weavers can have a look-see."

4.15. Asked if it was not possible to change the working hours of these centres so that the weavers may come for training before or after completing their work, the representative of the Department of Textiles stated:—

> "At present, we have been working with the usual official hours, *i.e.*, 10 to 5. The number of people whom we are

going to train is a small number. For the sake of this small number whether the entire staff should be asked to come in the early morning or late in the evening has to be considered ...... The training is only one of the activities of the Centre. Then we evolve designs, undertake experiments, evolve new weaver, cater to the customers and cater to the weavers who come for samples and designs. These are also equally important activities while training is only a small part of them."

4.16. Asked if the Centres are fully equipped or there are some vacant posts; the Development Commissioner for Handlooms stated:—

> "Out of 672 posts which are currently sanctioned, about 68 posts are vacant which is only 10 per cent. But unfortunately, that 10 per cent is in one or two categories which is in short supply in the textile industry. It is mainly in the process, dyeing, printing and processing side."

4.17. Asked how it was proposed to meet the situation, the representative of the Department of Textiles replied:—

> "We are trying to introduce new course of textile processing, which is now in existence in the two Institutes. In fact, the lack of it has been responsible for the shortage in personnel. We will have 10 additional students every year in these two Institutes. It is a three year course."

4.18. Asked what procedure is adopted to make the weavers residing in the remote areas acquainted with the new samples and designs evolved by the Weavers Service Centres, he replied:—

> "There is a set up for each Centre in existence for some time now. We have activated it further, in recent times. We have Coordination Committee consisting of the State Officers plus 2 or 3 weavers of the area. They meet frequently, look at the work done and evolve a further programme for the next 2 or 3 months."

4.19. Asked if the officers of these Weavers Service Centres were maintaining any liaison with the weavers and were going out to actual weavers to render necessary assistance, the Development Commissioner for Handlooms stated:—

> "At the moment, they have not been able to go out much. They are largely in the Centre. But a decision has been taken to divide the Centres into 3 grades and to take up 'A' grade Centres for priority attention. We are going to provide the means of transport for the Centre and also a programme of work, whereby a group of people will work with specific group of weavers."

4.20. Asked about the subjects in which training is imparted to these students, the representative of the Department of Textile stated:—

> "We give specialised training in weaving and general background of processing particularly in dyeing and printing. Under the short-term courses, we give them training in weaving. With regard to processing, our special emphasis is on dying and printing. In weaving, we also give training in some special aspects of weaving pertaining to handlooms like Jalaour pattern making etc."

4.21. Asked about the number of trainees admitted in each Weavers Service Centre and the number of persons trained so far, the Department of Textiles stated:—

> "The Weavers Service Centres and the Indian Institutes of Handloom Technology are conducting short-term courses in Designing, Weaving, Dyeing and Printing. The short-term training course extends for a period of 4 months and three batches are trained every year. There are two types of trainees *viz.*, stipendary and non-stipendary. Under the stipendary training, the candidates are sponsored by cooperative institutions through their respective State Governments and the trainees are given a stipend of Rs. 120 per month. Non-stipendary training course is for other types of trainees who have already a basic knowledge of subject in which they desire to undergo the training and not stipend is paid to them. The candidates under the non-stipendary schemes are sponsored by Export Houses, Institutions running textile designing courses, State Governments etc.

The number of trainees permitted to be admitted for the short-term courses under the stipendary schemes is as under:—

Name of Centre		No. of trainees permitted
Weavers Service Centre	Bombay	6
Do.	Madras	6
Do.	Calcutta	6
Do.	Varanasi	4
Do.	Bangalore	4
Do.	Vijaywada	4
Do.	Indore	4

There is no limit for the number of trainees under the non-stipendary scheme. However, normally, the maximum number of trainees for each batch is limited to 6. The newly started weavers service centres have not undertaken the short-term course for want of facilities etc. Moreover, they have now settled down with regard to their own wofking activities etc ...... The number of candidates who have undergone training in the Weavers' Service Centres and the Institutes of Hand-loom Technology during the year 1975-76 is as follows:—

	Name of Centre		No. of Candidates trained during the year 1975-76
1.	Weavers Service Centre	Bombay	33
2.	Do.	Madras	8
3.	Do.	Calcutta	3
4.	Do.	Varanasi	9
5.	Do.	Bangalore	6
6.	Do.	Vijaywada	7
7.	Do.	Indore	2

4.22. Asked if the working of these Weavers Service Centres has been evaluated with a view to adjudge the actual benefits conferred on the weavers, the Department of Textiles have stated in a written note submitted to the Committee:—

> "The Weavers Service Centres and the Institutes were part of the Textile Commissioner's organisation and their work was looked after by that organisation and also the All India Handloom Board. There is governing body to see to the affairs of the Institute but there has been no such Advisory Body for the Centres even though the Handloom Board was coordinating the activities to some extent. As such, a critical evaluation of each centres has not been made. However, each centre is required to send a monthly progress report in a prescribed form. These reports have been useful in assessing the activities and programmes of the Centres. These Centres and the Institutes have now come under the Development Commissioner for Handlooms and with the introduction of Intensive Development Project/Export Oriented production centres by State Governments, the Weavers' Service Centre have to play a vital role. In this context, the progress reports are critically examined and quarterly reports are being sent to the Development Commissioner for Handlooms."

4.23. Asked about the extent to which new varieties of fabrics and new designs have actually been adopted by the weavers, it has been stated in the note that:—

> "We do not have ready information regarding the production of fabrics based on the Weavers Service Centres designs. The sale of samples is due to the varied interests such as weavers cooperative societies, exporters, individuals etc., and it has not been made obligatory on the purchasers to send us any information or return with regard to the quantum of fabrics based on the Weavers Service Centres. In the case of exporters the production centres are situated at different places and they may not be maintaining statistics relating to production of Weavers Service Centres designs separately as once they purchase the design it becomes their own and they give their own design number etc. Similarly, the weavers are not in a position to maintain any such statistics......It may be possible for the staff to collect some information in this regard but

even with much effort complete information may not be available for want of proper maintenance of statistics by the parties concerned."

4.24. Asked if there is any inbuilt incentive in the pay-scale of the personnel working in the Weavers Service Centres to ensure that they carry the new varieties and designs to the weavers, it has been stated in the note that:—

> "There are no such incentives at present in the pay-scales for the personnel in the Weavers Service Centres. This point will be kept in mind when the question of constitution of a cadre and review of pay-scales is taken up."

4.25. Regarding the criteria and guidelines for setting up of these centres and steps taken to ensure that the centres are so located so as to make them easily accessible to weavers, the Department of Textiles have stated in a written note that:—

> "The main criteria for the setting up of the Weavers Service Centres are:—
>
> (i) Concentration of looms in a particular State/Area.
>
> (ii) Concentration of Exporters of Hand-loom Fabrics and marketing Organisation.
>
> (iii) Liaison with State Governments. There are about 17 States having a concentration of handlooms varying between 10,000 to about 6 lakhs .... It is our aim to see that there is at least one Weavers' Service Centre in each of the States where there is a concentration of handlooms. However, at present only 12 States have been covered so far in this regard. Reports have been received from many other States for opening of Centres. Proposals are being considered for starting 35 additional centres (main and sub-centres) so that there will be a total of 50 weavers service centres to cater to the needs of the handloom industry in the country .... Co-ordination Committees have been set up with representatives from weavers service centres, State Government and Marketing Organisations. Efforts are being made to have the meetings of the Committee at different Handloom Centres and also to arrange for display of the designs produced at the Weavers' Service Centres so that the weavers would be able to know about the useful work done by the Weavers' Service Centres."

4.26. When asked if some shortcomings in the working of these centres had come to the notice of the Government and if so, what improvements had been made, the Department of Textiles have stated in a written note furnished to the Committee:—

> "The main handicap for the weavers service centres has been lack of accommodation. Most of the centres have been located in private rented buildings, the design of which is not suitable for the work carried out by them. Lack of space has been another problem ...... It has already been suggested that there should be a Master Plan whereby each Centre is housed in a building of its own in which proper arrangements are made for housing the office, looms, photographic section and also dyeing, laboratory, printing, designing section and show room etc. As such facilities are not available in the existing buildings now occupied by the Centres.
>
> The other main handicap in the lack of proper testing, processing and other equipment which are necessary for the day-to-day working of the centres. Unfortunately, sufficient funds were not allocated under 'other charges' with the result it has not been possible to purchase any equipment in order to expand the activities. We have now taken action to provide funds to the extent of Rs. 12 lakhs during the current year and next year.
>
> The staff of the centres also required to be strengthened, proposals in this regard are under scrutiny."

4.27. The Committee note that most of the handloom weavers are still using obsolete and outdated techniques of production and designs and their products are not in accordance with the latest designs and market trends. The Committee feel that until and unless concerted measures are taken for imparting know-how to the handloom weavers in the latest techniques of production and use of new designs, it may not be possible to raise the volume and value of products of weavers and assure them a living wage. The Committee are surprised to note that Government have not so far conducted any survey of the handlooms and the weavers in the country so as to devise a scientific plan for upgrading the technology and imparting know-how to the weavers. The Committee recommend that such a survey be conducted immediately and based on it a plan of action should be drawn up by the Central Government in conjunction with the State authorities at an early date.

4.28. The Committee note that Government have set up 14 weavers service centres and 2 Institutes of Handloom Technology to meet, inter-alia, the training needs of the handloom weavers and to evolve new designs and patterns. The Committee are surprised to note that only 7 out of 14 Weavers Service Centres are imparting short-term training to handloom weavers and all these centres have been able to train only 68 weavers during the year 1975-76. This clearly demonstrates that very little importance has been given to the training of handloom weavers in the activities of weavers Service Centres and hardly two or three weavers are being trained in these centres at one time. In view of the fact that there are as many as 35 lakh handlooms in the country, the Committee feel that the present training arrangements are woefully inadequate and have not been able to touch even a fringe of the problem of training of handloom weavers. The Committee recommend that Government should immediately take steps to introduce training courses in all the weavers Service Centres and substantially increase the intake of trainees in these centres so that a real impact may be made in meeting the training needs of the handloom weavers.

4.29. The Committee note that the Weavers Service Centres have been evolving new designs and samples, colour-combinations etc., for the use of handloom weavers and during the last year, the weavers Service Centres had produced 7,900 new designs and 5,697 new samples. It has, however, been noted that Government have no ready information available regarding the number of new designs adopted by the weavers, production of fabrics based on these new designs and increase in the earnings of weavers as a result of adoption of these new designs. However, it has been noted from the representations received from the non-official organisations that adequate arragements for encouraging the weavers to adopt these designs do not exist and most of the new designs and samples have not percolated to the actual weavers. The Committee would like to point out that Government are spending as much as Rs. 61.71 lakhs every year on the working of the weavers service centres. The real utility of the working of these centres will be judged by the extent to which these designs are actually taken to the weavers in the field and used by them. The Committee, therefore, feel that weavers service centres should not only lay emphasis on evolving new designs but should also ensure that designs are actually adopted by the weavers in the field.

4.30. The Committee note that at present the staff of the Weavers Service Centres is not going out to actual weavers to render technical service but there is a proposal under consideration that in some of the Centres some members of the staff of the centres will work with specific group of weavers. The Committee would like to point out that provision of extension work by these centres is the heart of the matter and should receive topmost priority. The Committee, therefore, recommend that Government should make immediate arrangements for the staff to provide extension service to the weavers on the same line as is being provided by agricultural universities/farms to the farmers ..

4.31. The Committee note that at present there are no inbuilt incentives for the staff of the weavers Service Centres to encourage them to take these design to the actual weavers or in the field. The Committee recommend that Government should take immediate measures to provide such suitable incentives for the personnel working in the Weavers Service Centres to ensure that they carry the new designs and varieties evolved by them to the weavers in the field. The Committee further feel that the staff in these centres should be recruited in the first instance on contract/tenure basis and their retention/confirmation should depend on their actual performance and the extent to which they are able to provide technical assistance to the actual weavers.

4.32. The Committee further recommend that the Weavers Service Centres should hold exhibitions and demonstrations of the latest designs and samples in all the clusters of handloom weavers where handloom weavers should be invited to come in large numbers and get themselves acquainted with these designs and samples.

4.33. The Committee note that no independent assessment of the working of these Weavers Service Centres has been made by Government so far and only the progress reports of these Centres is being received in the office of the Development Commissioner for Handlooms. The Committee feel that as some of these centres are quite old and well-settled, it is high time that Government should get the working of these Centres evaluated by an independent body. It should be the task of this body to point out deficiencies and shortcomings in the working of these centres so that remedial measures may be taken by Government to remove these deficiencies at an early date. The Committee further recommend that such evaluation of these Centres should be done at regular intervals.

4.34. The Committee note that one of the most important handicaps noticed in the working of these centres is that most of these centres are located in big cities which are situated far away from

the cluster of handloom weavers. Moreover, as most of these centres are housed in rented buildings because of the difficulties in getting suitable accommodation in big cities, the present accommodations are not suitable for their purpose. The Committee recommend that Government should set up Weavers Service Centres in the localities where there is large concentration of handloom weavers. Government should also ensure that these centres are provided with suitable accommodation for the various activities undertaken by the Weavers Service Centres.

4.35. The Committee note that one of the handicaps of the Weavers Service Centres is that there are a number of vacant posts in these Centres, as suitable candidates are not available for appointment to these posts. The Committee recommend that Government should take immediate steps to fill up these posts by advertising widely in national newspapers etc. Moreover, immediate steps should be taken for training of students in the specialities, for which there is shortage of candidates in the Institute of Handloom Technology so that shortage in these specialities is removed as early as possible and sufficient number of suitable candidates are available in the country to fill up these posts.

4.36. The Committee feel that the Weavers Service Centres have not been successful either in their training programmes or in other sphere of their activities. In their opinion, therefore, a radical reorganisation of these Centres is called for, if the objectives for which they were set up are to be achievd.

WORKING OF INSTITUTES OF HANDLOOM TECHNOLOGY

4.37. There are two Institutes of Handloom Technology located at Salem and Varanasi which are engaged in imparting training in handloom technology to students from particular fields. The Institutes are also engaged in conducting research in methods of latest combinations of fibres/fabrics, usages of improved appliances etc.

4.38. The two Institutes of Handloom Technology were previously under the control of State Governments of Madras and U.P. respectively. A broad assessment of the training needs in the handloom industry was made by the Fact Finding Committee and the Kanungo Committee as well as the Working Groups on the Handloom Industry. As a result of their assessment, a Committee was constituted about two decades back to work proposals to reorganise and start the two Institutes of Handloom Technology which were taken over by the Government of India.

4.39. The two Institutes of Handloom Technology have two types of courses of training:—

(a) Short-term Training:—The Short-term course extends for a period of 4 months and three batches are trained every year. There are two types of trainees accepted for training *viz.*, stipendary and non-stipendary. Under the stipendary training, the candidates are sponsored by the cooperative institutions through their respective State Governments and the trainees are given a stipend of Rs. 120 per month. Non-stipendary scheme is for other types of trainees who have already a basic knowledge of the subject in which they desire to undergo the training and no stipend is paid to them for the short-term courses. These trainees are sponsored by the export-houses, Institutes running designing courses, State Governments etc. The number of trainees permitted to be admiteed for the short-term course in the stipendary scheme is 8 each for the Institutes at Salem and Varanasi.

(b) Long-Term Training:—A regular 3 year Diploma Course in Handloom Technology is being conducted in the Indian Institutes of Handloom Technology at Varanasi and Salem. Though the syllabus is exhaustive and a variety of subjects in textile technology are included, maximum stress is laid on handloom weaving and textile processing.

The number of candidates allotted to the different States and admitted to the diploma course each year are as follows:—

SALEM

Tamil Nadu	8
Andhra Pradesh	8
Karnataka	4
Kerala	4
Pondicherry	2
Maharashtra	4
Gujarat	1
Goa	1
	32

VARANASI

U.P.	7
Bihar	2
Orissa	2
Punjab	1
West Bengal	2
Madhya Pradesh	1
Rajasthan	1
Manipur, Kashmir and Tripura	2
	20

4.40. Asked if the entire capacity at these Institutes is being utilised, the Department of Textiles have stated in a written note submited to the Committee that "The entire capacity is being utilised every year and there is also a demand of late for increasing the number of seats for diploma courses for both the Institutes."

4.41. Asked about the number of students trained in these Institutes since their inception year-wise, the Department of Textiles have furnished the following statement:—

Year	No. of Candidates trained or passed out of the final diploma	
	Salem Institute	Varanasi Institute
1960-61	—	—
1961-62	—	—
1962-63	26 (1st batch passed)	—
1963-64	29	—
1964-65	23	16 (1st batch passed)
1965-66	35	17
1966-67	37	13
1967-68	30	18
1968-69	24	15
1969-70	21	14
1970-71	12	19
1971-72	13	20
1972-73	23	21
1973-74	28	15
1974-75	31	19
1975-76	23	12
	355	199

4.42. Asked if any weightage was being given in the admission to these Institutes to the wards of actual handloom weavers, the Development Commissioner for Handlooms stated in this evidence before the Committee:—

"In the Salem Institute, hundred percentage of the seats are filled by boys belonging to the weavers community. In Varanasi Institute, the percentage is 60 to 70 per cent."

4.43. Asked about the subjects included in the training course, the representative of the Department of Textiles stated:—

> "We give specialised training in weaving and general background of processing particularly in dyeing and printing. Under the short-term courses we give them training in weaving. With regard to processing, our special emphasis is on dyeing and printing. In weaving, we also give training in some special aspects of weaving pertaining to handloom like Jalaour pattern making etc. Specialised training where weavers cooperatives and other employers would be very much interested in the practical training, we are giving under the diploma course ...... We have a subject in diploma course on economics. We give a good knowledge on fibres. We give them the background of fabric structure. Our emphasis is more on the practical aspect of the work. 50 per cent of the time is devoted in practical training....The main purpose of the training in these institutions is to give them good knowledge of the technology side of weaving and not to make them a competent manager."

4.44. Asked about the hostal accommodation provided in these Institutes, the representative of the Department of Textiles stated:—

> "In Varanasi, we have hostel accommodation only for 32 students, whereas the total number is about 160. In Salem, we don't have hostel accommodation."

4.45. Asked about the response for the diploma course, he replied:—

> "It is tremendous. In both the cases, the demand is very much more than the seats available."

4.46. The Committee note that there are two Institutes of Handloom Technology at Varanasi and Salem run by the Government of

India and these Institutes are imparting short-term training for four months and a regular 3-year Diploma Course. The Committee are surprised to note that although these two Institutes are catering to the training needs of the entire country, the number of students being admitted to these Institutes is very limited. For instance, although the Institute at Varanasi caters to the States in Northern and Eastern India, the total number of students admitted is only, 20 for the diploma course. Similarly, the Institute at Salem which caters to all the States in the South and Maharashtra and Gujarat admit only 32 students every year. The Committee feel that these Institutes are meeting only a fraction of the total requirements of the handloom industry. The Committee further note that there is a tremendous demand for these courses in the country. The Committee, therefore, recommend that Government should take immediate steps to expand the admission capacity of these Institutes so that these may meet the training needs of the handloom industry to the maximum possible extent.

4.47. The Committee further note that in the courses of these Institutes, more attention is being paid on the technical aspects with particular emphasis on practical training. While agreeing that emphasis should be given for practical training in the Institutes, the Committee recommend that the syllabus of training should be widened so as to include training in the fields of management, finance, cooperatives etc. so that the trainees may have a wide knowledge of different aspects of the handloom industry and provide leadership to the cooperative movement of handloom weavers.

4.48. The Committee further note that although there are about 160 students belonging to different States in the Institute at Varanasi, the hostel has an accommodation for 32 students only. In the Salem Institute no hostel facilities are available. The Committee feel that as these Institutes are admitting students from diffierent States, it is imperative that arrangements be made to provide hostel accommodation for the students. The Committee recommend that Government should take immediate steps to provide hostel facilities for the students at these Institutes.

B. Use of Improved Looms and Appliances.

4.49. One of the reasons for the poverty of handloom weavers is that most of the weavers work on primitive and outdated appliances with the resultant low productivity. The impact of the use of different types of appliances can be judged by the fact that while the handloom weavers in Tamil Nadu working on primitive looms are able to earn hardly two or three rupees per day, handloom weavers in Haryana working on modern appliance like Jacquards are able to earn anything between ten to twenty rupees per day.

4.50. Asked to furnish information regarding the number of different types of handlooms in the country, the Department of Textile have stated in a written note submitted to the Committee:—

> "Based on their structure and technical working, the handloom can be classified into four groups:—
>
> (i) Primitive Looms
>
> (ii) Pit Looms
>
> (iii) Frame Looms
>
> (iv) Semi-Automatic looms and improved.
>
> Primitive looms include those types of looms where weft is threaded by hand for interlacing the warp ends. Typical example of primitive looms are loin looms of hill areas of India.
>
> Most of the pitlooms in the country are fly shuttle pit looms and their popularity is due to their production being three four times of the throw shuttle pitlooms.
>
> Throw shuttle pitlooms are mainly used for purposes of production of special types of fabrics and heavy fabrics and their productivity is low.
>
> The main disadvantage of pitlooms is that it is difficult to weave long running lengths of fabrics such as shirting and sheeting etc.
>
> Framelooms are looms placed above ground and are useful for manufacturing relatively simple designs in large volumes. However, the frame looms occupy more space and it is not always possible to have the frame looms within the confines of the weavers dwelling.
>
> Semi-automatic looms.— There are different varieties of semi-automatic looms such as pedal looms, Chittaranjan looms, the Banaras looms etc. These looms are acquiring popularity in some of the Weaving Centres and the production is three to four times that of ordinary looms."

4.51. It has been further stated in the note that "Reliable information on the number of looms of different categories is not available. The surveys being conducted by the State Governments, may throw more light on this aspect. However, it may be stated on the basis of available information and estimates that as many as 80 to 90 per cent of the total number of looms (of pitlooms) may be fly shuttle type and all the other types of looms may account for the remaining 10 to 20 per cent."

4.52. Asked if any assessment of the number of looms requiring conversion|replacements etc. has been made and has any scheme been introduced for conversion of these looms into modern looms, the Development Commissioner for Handlooms stated in his evidence before the Committee:—

> "The needs of conversion or modernisation have to be worked out with reference to the needs of a particular area. There is no automatic conversion taking place from one type of loom to another. For instance, in Tamil Nadu most of the weaving is done in the cottages of the weavers themselves. They have got pitlooms. We cannot change their looms until we organise them also into a working shed. The nature of requirement is different from area to area and the type of product, which dictates the type of looms which you want to instal. We are working out a programme. In every project area we are giving them up to Rs. 1,000 per loom. The commercial banks are also lending them upto Rs. 5000 per loom for the programme of conversion or the programme of renovation or attachments or improvements in the existing looms."

4.53. Regarding assessment of the need for conversion, he stated:—

> "In the special project areas, we have the assessment—we know how many looms require modernisation and of what type. The programme is going ahead on these lines. In States like Haryana where there is group-guarantee scheme through the corporation of the State there is planned modernisation. Elsewhere, in the survey which has been undertaken, the requirements of conversion or modernisation are also to be taken up as a part of the survey. We would be taking up programmes on the basis of what the survey reveals to us. This is the way we have to go about it....The State Directorates have institutions established at least in the major weaving areas, to find out what is the requirement of modernisation. For example, in Orissa in particular, a block of handloom weavers, apart from the project areas, have determined that in the next two

> years they will convert 1000 looms from pitlooms to some other looms. So, a programme has been drawn up area by area. But we would not be able to say at this stage for the country as a whole what is the total modernisation requirement that is coming up."

4.54. Asked if it was a fact that 80 to 90 per cent of the present looms, were pitlooms, the Development Commissioner for Handlooms replied in the affirmative. When asked what percentage of looms needed change, he replied:—

> "It is difficult to give a percentage. It may be around 20 per cent to begin with. Pitlooms are largely operating on a technology which involves the movement of the shuttle from one side to the other, called the throw shuttle. One of the major improvements which we want to do is to change it to fly shuttle which immediately reduces the strain on the operator and also increases productivity. So one type of modernisation is relating to pitlooms as such, but introducing this new arrangement....In addition to our Centres, in Madhya Pradesh for instance the State has three or four centres of its own where weavers come for training, and there are peripetetic teams which shows the usefulness of the improvement. In Madhya Pradesh we had a special scheme where 50 per cent of the cost of this improvement used to be subsidised by the State Government and the balance given as loan to be recovered in five years. Such schemes are going on, and they will have to be planned in a much bigger way in view of the new importance placed on this particular programme."

4.55. Asked to state the steps taken by Government to popularise the semi-automatic looms among the handloom weavers, the Development Commissioner for Handlooms, stated:—

> "Here also in the special project areas a very planned programme has been taken up. We have identified what types of improvements have to take place and where conversion has to be undertaken. There is also a sort of regional aspect of the problem. In some cases the capital cost of the loom is quite high compared to the present loom for which he is practically paying nothing because it has been there for years. The type of fabrics to be produced has also a bearing on the type of loom to be installed. Limitation of space has also to be taken into account."

4.56. Asked if any intensified research has been conducted to evolve improved types of looms suitable to different areas, the Department of Textiles have stated in a written note submitted to the Committee:—

> "Yes. The Chittaranjan and the Banaras type of semi-automatic looms are some of the improved types of looms developed. The Chittaranjan loom is used mostly for producing gauze and Bandage type of cloth and these are mostly installed in West Bengal. The Banaras type of looms are used for producing plain texture fabrics, such as dupion, gada etc. These have been installed in West Bengal and U.P."

4.57. Asked if Government have formulated any scheme to encourage handloom weavers to adopt improved looms and if so, what incentives|facilities are being provided to the weavers in this regard, it has been stated in the note that:—

> "No overall scheme has been formulated but such programmes are being taken up in specific areas. The State Governments are introducing improved looms since there is provision under the Intensive Development projects and Export Oriented Schemes to supply improved equipments for which grants are being given by the Central Government."

4.58. About the number and percentage of weavers who have adopted these improved looms, it has been stated in the note that:—

> "It is rather difficult to indicate the exact figure. However, since the State Governments are conducting surveys of the handloom industry, we may be able to get a correct picture when the survey is completed."

4.59. The Committee note that use of obsolete and outdated looms and appliances is one of the main reasons for the low productivity and consequent poverty of the handloom weavers. The Committee are surprised to note that even today 80 to 90 per cent of the handloom weavers in the country are using pitlooms and most of these looms are being operated on throw shuttle where not only the productivity is low but considerable strain is put on the operator. The Committee are further surprised to note that Government have no statistics regarding the number of different types of looms used by the handloom weavers in different States and except isolated attempts made in some of the States for conversion of looms, no overall scheme has been formulated and implemented by Govern-

ment for the conversion of looms into modern and uptodate looms so as to increase the productivity and the earnings of the large number of handloom weavers in the country. The Government have no statistics even about the number of weavers who have adopted new and modern types of handlooms.

4.60. The Committee agree that as the working conditions and the nature of products differ in different regions and States and as most of the handloom weavers work in their homes where there is limitation of space, it may not be possible to evolve a single design of loom which may be suitable throughout the country. The Committee would, however, like to point out that even by making slight modifications and alterations in the existing looms, production can be considerably increased and strain on the handloom weavers considerably reduced. For example, by converting throw shuttle looms into fly shuttle looms which occupy practically the same space, appreciable increase in production and reduction in strain on the handloom weaver, can be achieved. The Committee, therefore, recommend that as the Government is already conducting surveys of the handlooms in the country, authentic statistics regarding the number of various types of looms in the different States should be collected. After that a time-bound programme for effecting improvements in these looms as well as for conversion of looms according to local conditions should be prepared and implemented expeditiously so as to ensure increase the productivity and income of the handloom weavers.

4.61. The Committee further recommend that Weavers Service Centres and Institutes of Handloom Technology in the country should conduct intensified research to evolve standard designs of looms suitable for local conditions in different regions which could ensure maximum productivity. After test-checking the designs of these newly evolved looms, Government should take concerted measures to popularise these looms among the handloom weavers by giving proper publicity, demonstrations and incentives so that the handloom weavers may be motivated to adopt these looms in the shortest possible time. Suitable training should also be arranged at the Weavers Service Centres and Institutes for the weavers to make them acquainted with the working of these new looms. Arrangements should also simultaneously be made for the manufacture of such looms locally to ensure easy availability at competitive prices.

4.62. The Committee would like to emphasise that most of the handloom weavers are extremely poor and it is not possible for

them to invest considerable amount of money for the purchase of these new looms. The Committee, therefore, recommend that Government may devise suitable practical scheme which would make it possible for a genuine poor weaver to go in for improved loom and pay for it in easy instalments. Arrangements may be made with the nationalised banks/State Handloom Corporations and other financial Institutions for the grant of loans to handloom weavers on group guarantee basis for the balance amount to enable them to purchase these looms. The Committee have, no doubt, that with the adoption of improved looms and technology, assured marketing and enforcement of reservation orders it should be possible to provide continuous employment to handloom weavers which would result in increased productivity and ensure a fair and living wage to the vast majority of handloom weavers in the country.

CHAPTER V

COOPERATIVE COVERAGE

A.—Present Position of Cooperative Societies

Most of the handloom weavers in the country depend on the Master Weavers for the supply of raw materials, finance etc. as well as for marketing. These Master Weavers exploit the handloom weavers to a great extent as they not only charge exhorbitant interest on the advances made to them but also purchase their finished products at cheap price with the result that the handloom weavers do not get even living wage. It has been widely admitted that the only way to save the handloom weavers from the clutches of the master weavers is to bring them under the cooperative coverage.

5.2. It is, however, noted that the cooperative sector in the handloom is in a bad shape. Although the number of weavers in the cooperative fold is now said to be 50 per cent to 60 per cent, those covered under active handlooms is around 30 per cent. The cooperatives themselves are of varying levels of excellence in the various States concerned with handloom population, ranging from a reasonable efficient system in Tamil Nadu to a rather ineffective system in Bihar and U.P. It has been seen that in some of the States, a vast majority of the handloom cooperative societies are dormant and inactive. The percentage of dormant societies to the total number of societies in the States as on 30th June, 1974 was as high as 94.5 per cent in Rajasthan, 81.5 per cent in Assam, 66.8 per cent in Uttar Pradesh, 66.6 per cent in Mizoram, 53.8 per cent in Nagaland, 51.9 per cent in Karnataka, 48.6 per cent in Bihar and 46.8 per cent in Andhra Pradesh. Further almost all the societies in the Union Territories of Himachal Pradesh, Tripura, Andaman and Nicobar, Goa, Daman and Diu and Lakshwadweep were dormant.

5.3. A number of non-official organisations and individuals connected with the handloom industry have stressed the need for increasing the cooperative coverage of handloom weavers and for reactivising and revitalising the dormant and inactive cooperatives. The representative of a cooperative organisation connected with the marketing of handloom products has stated in his memorandum submitted to the Committee:—

> "As per the Report of the Sivaraman Committee the coverage of looms in the cooperative is only to the extent of 30 per

cent and there are a number of dormant cooperative societies even in this 30 per cent coverage. One of the recommendations of the Committee is to revitalise dormant cooperatives from the present level of 30 per cent to 60 per cent by the end of the Fifth Five Year Plan. Our suggestion is to effectively implement this recommendation so that there may be improvement in the working of these cooperative societies and the weavers would be freed from the exploitation of the Master Weavers."

5.4. Another cooperative society of handloom weavers has stated in its memorandum submitted to the Committee:—

"Out of the existing cooperative societies while some are dormant, some others are not functioning as they should for a variety of causes. The first endeavour should, therefore, be to revive the existing societies. This can be done by rendering assistance in different spheres like finance, supply of raw materials and marketing, besides provision of managerial personnel.

It should be the aim to bring more weavers into cooperative fold as far as possible. In order to lure the independent weavers into the cooperative, fold he should be offered some attractive terms such as supply of new loom with all accessories at 50 per cent subsidised rates, interest-free share capital loan, provision of free house-sites etc."

5.5. An authority connected with the handloom industry has suggested in his memorandum:—

"The present incentives and assistance given by the Government from time to time to the cooperative sector are not sufficient enough to the requirement and proper running of the societies.

In addition to the present set of incentives and assistance, Government are requested to give more help to all weavers cooperative societies towards the appointment of Manager, Supervisor, and Accountant who are administratively qualified and who have adequate knowledge of the textile products, trade and accounts. For the creation of cadre of Managers and Supervisors for Weavers Societies, the All India Handloom Board along with the help of Government should initiate steps for training of the personnel."

5.6. Another representative of the Handloom Industry has stated in the memorandum to the Committee:—

> "I don't think it is a problem of incentives/assistance for improving the cooperative sector as such. What is lacking is management skills. I have been stressing for sometime the need for asking some of the specialised institutions like the Institutes of Management to run special programmes for training of managers for rural industries. If this could be done particularly for handlooms and the trainees drawn from areas where they are likely to get employment, the working of cooperative societies will improve."

5.7. The High Powered Study Team on the problems of Handloom Industry (Sivaraman Team) in its report submitted in July, 1974 had emphasised the need for strengthening the cooperative system in the handloom sector and recommended the following steps for the toning up of cooperatives.

(a) Establishment of a cell in the Commerce Ministry to attend to the problems of the handloom cooperatives in some depth. The Development Commissioner for Handlooms may be made *ex officio* Commissioner for Handloom Cooperatives.

(b) A scheme of rehabilitation of handloom cooperatives to be undertaken on the same lines as the scheme of rehabilitation of agricultural cooperatives which was taken upon the advice of the Rural Credit Survey Committee of the Reserve Bank of India. Societies have to be classified into viable ones, those that can be made viable by supervised credit or by amalgamation and those that have to be wound up. The main ingredient of the scheme of rehabilitation will be the share capital participation of the State Governments. To enable the State Governments to participate in the share capital, the National Cooperative Development Corporation may be made the body for giving loans to the State Governments for share capital participation.

(c) It is necessary that Central Banks are made to return the savings of weaver's cooperatives which are not statutorily required to be retained and some means found to put them into liquidity against the locked up funds in the share capital and government paper. If necessary, a Tiding-over Finance in the shape of Government share capital should be given to them; and

(d) A closer involvement between the apex marketing societies and the primary weavers societies should be established so as to ensure supply of the neecssary yarn and other inputs to the weavers and arrange for the marketing of the cloth produced by the weavers in the primary weavers societies.

5.8. Asked to state the number of active cooperative societies of weavers and details of incentives/assistance provided by Government to these societies, if any, the Department of Textiles have stated in a written note furnished to the Committee:—

> "Information about number of active cooperative societies of weavers is not available. The State Governments were, however, asked recently to make a complete survey of handlooms and make the same available to the Central Government. As regards incentives/assistance available to the handloom weavers cooperatives, important facilities available to them include, availability of working capital at concessional rates of interest. The cooperative societies get working capital on interest equal to 1½ per cent below the bank rate under the Reserve Bank of India Scheme of Handloom Finance. Rebate on sale of handloom products at 5 per cent is being given round the year, and at the rate of 10 per cent for a total period of 15 days in a year. As a special case, the Central Government allowed rebate at the rate of 20 per cent on sale of handloom products for a period of three months, *viz.*, December, 1975, January and February, 1976 to liquidate the accumulated stocks of handloom goods. Designs produced by Weavers Service Centres are supplied to cooperative societies at concessional rates. Assistance is also provided for construction of houses for the member-weavers of the societies."

5.9. Asked about the number of States where survey of handlooms and cooperative coverage has been completed and the progress made in the remaining states, the Department of Textiles have stated in a written note submitted to the Committee:—

> "In the Handloom Ministers' Conference held in February, 1976, State Governments were requested to conduct fresh census of handlooms in the States. Later, in May, 1976, as follow up action to frame schemes for extension of cooperative coverage etc. also State Governments were requested to conduct census and ascertain actual figures. Full reports from the State Governments are still awaited. However, on the basis of discussion on the subject of cooperative coverage held with State Governments in the Southern,

Northern and Western Zones, the position is indicated below:—

COOPERATIVE COVERAGE OF HANDLOOMS

Sl. No.	State	Total No. of looms (in lacs)	No of Societies/ looms in the coop. sector		No. of active societies/looms	
			Societies	looms	Societies	looms
			(No.)	(lacs)	(No.)	(lacs)
1.	Andhra Pradesh	5·97	..	2·20		0·44
2.	Karnataka	1·37		0·97		0·43
3.	Tamil Nadu	5·50		1·50		1·35
4.	Punjab	0·18	401	0·10		..
5.	Haryana	0·50	446		355	
6.	Uttar Pradesh	5·09	2445	2·97	1220	1·48
7.	Himachal Pradesh	0·02	65	2·97	13	
8.	Madhya Pradesh	0·53	212		154	
9.	Rajasthan	1·42	532		29	
10.	Gujarat	0·34	167		109	
11.	Mharashrra	1·85	989	0·72	927	0·30
12.	Kerala	0·71	..	0·24		0·18

The Position respect of States in the Eastern Zone will be known after the discussion with them."

5.10. In a subsequent note furnished in April, 1977, the Department of Textiles have intimated the following information in respect of the societies in States in the Eastern region:—

State	total No. of looms	No. of Coop- societies	No. of loom in coop. societies	No. of active societies	No. of active looms
West Bengal	1,98,585	1,180	67,708	669	47,370
Bihar	2,00,820	1,236	1,00,000	479	28,000
Assam	6,94,000	1,577	40,659	650	16,784
Manipur	2,50,000	362	13,000	112	4,024
Tripura	10,000	71		27	
Nagaland	15,000	13		6	
Meghalaya		60		46	
Arunachal Pradesh		2		Nil	
Mizoram		9		3	

5.11. Asked about the present position of the cooperative coverage of the handlooms in the country and the number of active cooperative societies, the Development Commissioner for Handloom stated in his evidence before the Committee:—

> "On the basis of the figures available, we have found that around 10 lakh looms are covered by cooperatives on paper at least, out of 35 lakh looms in the whole country and, out of these ten lakh looms, something like 4½ lakhs are effectively working in the cooperative sector. So the figures are 35 lakhs, 10 lakhs and 4.5 lakhs....We find 30 per cent in 2-3 States and Tamil Nadu is one of them and Andhra Pradesh come nearabout that. Elsewhere the societies are on paper. Either they are defunct or they are dormant. The programme that we have drawn up is first to revitalise the societies so that we may at least have 30 per cent within two years time and side by side, because this group of societies is geographically different from the other societies, which are to be organised, there can be a new programme also."

5.12. Asked about the reasons for a large number of cooperatives being dormant, the representative of the Deptt. of Textiles stated:—

> "Some reasons for dormancy in the handloom cooperatives are similar to those in the other sectors. But some reasons are peculiar to the handloom sector. The typical village agricultural cooperative is largely a service cooperative and offers credit facilities, fertilisers etc. The handloom cooperative is basically conceived as production-cum-sale society. It means that it must have a reasonably good manager because it is an activity on a continuing basis. It is not a seasonal activity. You give advances, loans and later on make recoveries. So one of the pre-requisites of the success is a good cadre of Managers to look after the society. Unfortunately, that is not there. Most of the societies are organised on a uneconomic scale. They could not justify whole-time Secretary....In other words this arrangement in terms of its successful functioning needed a good Secretary who will have an effective supervision. But this particular programme falls between two stools. Neither the Registrar of cooperative societies look after them nor the Director of Handlooms looked after them, while in the Centre also there was no particular Department to look after them....It went somehow by default whether at the Centre or in the States and as a result, it did not receive the attention it deserved."

5.13. Asked if Government have taken any steps to simplify the procedure regarding the working of cooperatives, the representatives of the Department of Textiles stated: —

> "On the question of functioning of cooperatives, there is a general cooperative law....the thinking is to simplify the cooperative laws. It has been engaging the attention of Government. It so happens that under Constitution, the cooperatives which are inter-State in character are the responsibility of the Central Government. Very recently, the Central has prepared a multi-State Cooperative Societies Bill which is going to be brought before the next session of Parliament. This is formed by the Centre as a model. Which they, in turn, will commend to the State Governments for their acceptance."

5.14. Asked if Government was associating the handloom cooperatives with the Intensive Development Projects, the Development Commissioner for Handlooms stated: —

> "The Intensive Development Projects have been placed in charge of the Handloom Development Corporation in different States. In some of the States representation have been given to us that there are primary weavers' societies which also are falling within the project area and so they should also be got covered. We have accepted their position. They are somewhere between 25 and 50 per cent in certain States which are also coming in. So, the cooperative societies functioning at the primary level are not totally excluded from the scope of the Intensive Development Projects. They are there but they are there in small proportions out of a large number of them."

5.15. Asked if there was any Intensive Development Project where the entire project is being executed through primary societies, he replied: —

> "I think in Pondicherry it is there. The entire coverage is through the cooperatives. There the total number of looms is also small and they are taking up the entire programme through their cooperative structure. We did not ask them to create another organisation."

5.16. Asked if it was a fact that the individual weavers in the Intensive Development Projects were getting more loans than the weavers under the cooperative sector, he replied: —

> "I am afraid it is a fact."

5.17. **The representative of the Department of Textiles stated:—**

> "In some ways, the problem is analogous to what has been happening in some States at one stage where the Government provided the taccavi for agriculture, it was only when Government discontinued taccavi that farmers had the proper incentive to come into the cooperatives."

5.18. The Committee were informed in a written note submitted by the Ministry of Commerce that one of the reasons for the cooperative societies not receiving credit from the Reserve Bank was that "Audit reports of the apex societies for the previous years were not received and hence applications could not be considered."

5.19. Asked about the action taken to ensure that the auditing of the cooperative societies was done in time, the representative of the Department of Textiles stated:—

> "Under the law, it is the mandatory responsibility of the Registrar of the Cooperatives to have the accounts of every society audited once a year. The societies have to make their books of accounts ready and be prepared to receive the auditor. Unfortunately, this is a problem which runs across the entire cooperative system—either on account of the expansion of the cooperative movement and the cooperative department's number of auditors not increasing and their job having become very large and the total audit staff not being commensurate with that or due to departmental inefficiency, the cooperative departments in many States have not been equal to the task of auditing the societies."

He further stated:—

> "On this we have checked up with the Ministry of Cooperatives. The general position taken by them is that first of all, in regard to relatively bigger cooperatives or the apex handloom societies, or of some district unions, the State Registrars should freely prepare a panel of names of suitable Chartered Accountants and give them the responsibility for auditing the accounts....In other words, some devolution of responsibility on agencies available for other sectors like companies is contemplated for the purpose of auditing of cooperative societies.
>
> Secondly, strengthen the audit machinery of the cooperative department. For the smaller societies, primary societies,

probably the audit has to be done at the society level by the department itself. Thirdly, in regard to the bigger societies, some system of internal audit should be there, some sort of concurrent audit gets introduced, a thing which is being done in the large marketing federations. The system of continuous concurrent audit has been introduced so that as and when the cooperative audit people come, the books are ready and you can more or less complete the audit without wasting any undue time over the whole thing."

5.20. The representative of the Reserve Bank of India stated:—

"In the Reserve Bank of India, we insist on audit being completed while sanctioning a scheme. On accounts of cooperative societies whether marketing federations or apex we insist on audit but occasionally we have to give a slight relaxation in the sense that we do not insist on the previous year's audit report, it may be the report of the year before."

5.21. The representative of the Department of Textiles stated:—

"Incidentally the overall position of audit is like this. At the end of 1973-74, the number of societies whose audit was pending for over two years and more was 1111. These are in the weavers sector, there is a similar number given for all other types of marketing societies, credit societies, housing societies etc., there is a very large list, State by States....strictly speaking the responsibility of getting the society audited is not on the society it is on the Registrar. In some ways, it is really the default of the Registrar and the societies suffer. It does happen and we have suggested that at least for the bigger societies Chartered Accountants should take up and for smaller soceities the Registrar should strengthen his auditing staff."

5.22. Asked what incentives have been provided by Government to the weavers cooperative societies for appointment of qualified supervisors and accountants etc., the representative of the Department of Textiles stated:—

"The question of giving incentives for having qualified managers has to some extent been taken care of in some States at least in the State Plans, they have a provision for managerial subsidy for a period of three years; that used to be rather inadequate and from now on we will try and see that adequate provision is made. But the basic principle that new societies should be given for a certain period, 3 or 5 years, managerial subsidy towards their cost of operations had been accepted and in the co-operative sector we will try to see that this is applicable to the handloom sector."

5.23. Asked if Government have made any arrangements for training of officials of cooperative societies, the Department of Textiles have stated in a written note submitted to the Committee:—

> "In the V.M. National Institute of Cooperative Management during the period 1971-72 to 1975-76, 7 programmes were conducted for the workers of industrial cooperatives which included weavers cooperatives also. In the cooperative Training Colleges, in the same period, 15 short-term training programmes were conducted, training 230 persons. Of these, 12 training programmes were specifically intended for personnel of weavers cooperatives and were conducted mostly at Cooperative Training College, Madras, Bhubaneswar and Bangalore. The remaining 3 programmes conducted at Kota and Poona covered personnel of Spinning Mills and Khadi and Village Industries which included personnel connected with Weavers Cooperatives also.
>
> In the Cooperative Training College, various short-term courses for personnel of industrial cooperatives were conducted, which included training of Handloom Weavers sector also.
>
> 8 Cooperative Training Colleges are conducting Diploma Courses in the Industrial Cooperation. In these 8 colleges, during the same period, Diploma Courses in Industrial Cooperation were conducted, training roughly 300 to 500 personnel of Industrial Cooperatives a year. These courses were also availed of by the personnel of Weavers Cooperatives.
>
> It will, thus, be observed that efforts are being made to provide special job-oriented short-term programmes for weavers cooperatives in Cooperative Training Colleges, wherever there is adequate demand. In other areas, personnel of Weavers Cooperatives are included for training programme under the Industrial sector.

5.24. The Committee note that as most of the handloom weavers in the country belong to the economically weaker sections of society, they are at the mercy of the master weavers who exploit these weavers not merely by charging exhorbitant rate of interest on

the loans advanced to them for purchases of various inputs but also by purchasing their products at cheap rates. It has been widely accepted that the best way in which the handloom weavers can be saved from the exploitation of the master weavers is by organising them into economically viable cooperatives which can serve both as production-cum-marketing units. The Committee, are, however, concerned to note that the cooperative structure in the handloom sector is not in a very healthy condition. Firstly the cooperative societies of the handloom weavers cover a small percentage of small weavers, and secondly majority of these cooperative societies are either defunct or dormant. The seriousness of the problem can be judged by the fact that as many as 94.5 per cent of the societies in Rajasthan, 81.05 per cent in Assam, 66.8 per cent in Uttar Pradesh, 66.6 per cent in Mizoram, 53.8 per cent in Nagaland, 51.9 per cent in Karnataka and 48.6 per cent in Bihar are dormant. It has also been admitted by the Development Commissioner for Handlooms in his evidence before the Committee that except in Tamil Nadu and to some extent in Andhra Pradesh, the cooperative societies in other States exist by and large on paper only. The Committee feel that this is an extremely unastisfactory state of affairs and needs to be remedied immediately.

5.25. The Committee note that the main reason of the handloom weavers not coming forward to join the cooperative societies is that there are no additional benefits or substantial incentives available to the handloom weavers for becoming the members of the cooperative societies. The only benefit available to the handloom weavers for becoming the members of the cooperative societies is that these societies are able to get finance from the Reserve Bank of India at 1½ per cent below the bank rate. However, as most of the societies are either dormant or not economically viable or their accounts are not audited in time these societies are not able to take advantage of the Reserve Bank of India Scheme of Handloom Finance. Moreover, it has been admitted by the Development Commissioner for Handlooms that the individual weavers in the Intensive Development Projects are getting more loans and greater facilities than the weavers under the cooperative sector. The Committee feel that until and unless the handloom weavers are offered sufficient incentives to become members of the societies and these societies provide an assured supply of inputs like yarn, finance, dyes and chemicals as well as marketing of their products, they would not be attracted to become members of these cooperative societies. The Committee recommend that the Government should prepare a package of incentives like supply of yarn and other inputs at libeal terms and assured marketing channels to the cooperative societies and above all facilitate the smooth and efficient working of these societies by encouraging them to become viable units and employing well trained persons of integrity and experience to work as Secretaries, Accountants etc.

5.26. The Committee note that one of the main reasons for the unsatisfactory working of the weavers cooperative societies is that most of the office-bearers of these societies are not acquainted with the rules and regulations and elementary economics regarding the working of these societies with the result that these societies run into losses and become dormant. While there are some arrangements for the training of the office-bearers of the cooperative societies, these facilities are inadequate and have been able to touch no more than the fringe of the problem. The Committee recommend that Government should draw up and implement training programmes for Managers, Secretaries and Accountants of the co-operative societies so as to provide training facilities for the requisite number of personnel as per a time bound programme and covering theoretical and practical aspects of the subjects of direct relevant to cooperatives.

5.27. The Committee further recommend that the scheme for grant of managerial subsidy for the first 3—5 years of a cooperative needs to be implemented in letter and spirit so as to encourage the societies to employ qualified personnel from the very inception and thus place the organisation on healthy lines, if they are to be made really successful.

5.28. The Committee further note that another reason for the unsatisfactory working of the handloom cooperative societies is that the accounts of these societies are not being regularly audited. The result is that these societies are not able to get finance from the Reserve Bank as submission of audit report is a pre-condition for the grant of such loans. Moreover, in the absence of regular and timely audit, the chances of irregularities including misappropriation and embezzlement are greatly accentuated. The Committee are surprised that the audit of accounts of as many as 1,111 societies in the weavers sector alone were pending for more than 2 years and the number was very large in the case of other types of societies like marketing societies, credit societies etc. The Committee further note that in many cases, although the societies are ready to get their accounts audited, the auditors from the office of the Registrar of Cooperatives do not conduct the audit for considerable time. The result is that these cooperative societies suffer as in the absence of audited accounts, they are not able to obtain credit at concessional rate under the Reserve Bank Scheme. The Committee desire that this unsatisfactory state of affairs should be rectified urgently.

5.29. Apart from organising the audit by Registrars more efficiently, the Committee would like Government to examine whether the large cooperative societies could not be allowed to have their accounts audited by Chartered Accountants who could be specifically approved if necessary, for this work. The Committee attach considerable importance to this matter and would like to be informed within six months of the concrete measures taken to rationalise and expedite the auditing of accounts of weavers cooperative societies, so that this work do not remain in arrears.

5.30. From the representations received from a number of non-official organisations and individuals connected with the handloom cooperatives, the Committee note that another reason why handloom weavers are reluctant to join the cooperatives is that the procedure regarding the working of these societies is quite complicated and as the vast majority of the handloom weavers are illiterate, they are not able to follow this complicated procedure.

The Committee, therefore, recommend that Government should review the procedure regarding the working of the cooperative societies urgently and take suitale steps to simplify the same to the maximum possible extent. The Committee further recommend that Government may prepare a model Cooperative Bill containing this simplified procedure and circulate the same to the State Governments for their information and guidance.

5.31. The Committee stress that the Government should attach utmost importance to the strengthening of Cooperative movement among the handloom weavers as it is only through Cooperatives that the lot of handloom weavers can be improved and they can be saved from exploitation. The Committee recommend that Government should not only provide all assistance and encouragement to the handloom cooperatives but also depute dedicated officers with missionary zeal to organise and guide the cooperatives and also enlist the active involvement of non-official agencies in the task.

B. Revival of Dormant and Inactive Societies

5.32. As already stated, a large number of cooperative societies in the handloom sector are either dormant or not economically viable. The High Powered Study Team on the problems of Handloom Industry, in their Report submitted in July, 1974 had recommended that "By the end of the Fifth Plan, the target for coverage of weavers in the active cooperative societies should be 60 per cent of the total. A purposeful programmes based on the lines suggested above should make it possible to achieve the targets." The recommendation has been accepted by Government.

5.33. Asked to intimate the details of the scheme/pogramme formulated by Government for increasing the coverage of weavers in the cooperative fold and the progress made so far, the Department of Textiles have stated in a written note submitted to the Committee:—

> "The measures for attaining is Fifth Plan target of coverage of 60 per cent of the handloom under the cooperative field have been discussed with States in the Southern, Western and Northern Zones and are to be discussed with representatives of the States in the Eastern Zone shortly. The Reserve Bank has been associated with these discussions. A plan of action is accordingly being drawn up and wherever possible, action has already been initiated in this direction.
>
> The main elements of the programme of revitalising existing dormant/defunct societies and expanding the cooperative coverage are as follows:—
>
> (i) Identifying the defunct/dormant societies and drawing up schemes for the liquidation/revival/amalgamation to form new and viable societies.
>
> (ii) Provision of share capital loans to the weavers members, both through the State Plan and through a special scheme included in the Central Plan in order to revive these societies with adequate share capital. In some States provision has also been made for direct participation by the State Government in the share capital of the primary weavers societies.
>
> (iii) A phased programme of revitalisation/revival over a period of 3 years on the above lines.
>
> (iv) Ensuring the availability of working capital for the number of these societies taking advantage of the Reserve Bank of India Scheme of Handloom Finance.

(v) Review and modification of the Reserve Bank of India scheme on the lines discussed in the regional meetings, including aspects such as volume of turn over to be taken into account for fixing credit limits, revised assessment of credit requirements of the societies and measures for strengthening the marketing arrangements.

(vi) Provision of share capital to the Apex Marketing Societies with refinance from the Reserve Bank of India in order to have better organised marketing arrangements."

5.34. Asked what steps have been taken by Government to attract weavers to become members of cooperative societies, the Department of Textiles have stated in a written note submitted to the Committee:—

> "Until now, there has not been sufficient incentives for handloom weavers to become members of cooperative societies, except in a few States. Some of the drawbacks in the cooperative structure arise out of uneconomic size, lack of sufficient working capital, lack of efficient management including qualified and trained staff, lack of proper leadership, absence of tie-up between production and marketing etc. A plan of action to strengthen the cooperatives and progressively expand their coverage, is being drawn up in consultation with the State Governments and Reserve Bank of India. The NCDC will also be involved in this programme. The objective is to see that the members of the cooperatives secure credits and yarn supplies in timely and regular manner, and that the responsibility for marketing their products is undertaken in an increasing measures by their own society as well as the Apex Cooperative Marketing Institutions."

5.35. Asked what measures have been taken to increase the cooperative coverage of handloom weavers to 60 per cent during the Fifth Plan, the representative of the Department of Textiles stated in his evidence before the Committee:—

> "First of all, while on paper it looks as though, at this time, the cooperative coverage is somewhere around 30 per cent, the coverage is really nominal in the sense that it does not substantially represent the reality. Our judgement is that the effective coverage cannot be more than 10 to 15 per cent and, therefore, the task of raising the coverage to 60 per cent is from 10 or 15 per cent and not from 30 per cent. This is as far as the macro aggregate level for the

whole country is concerned. And when we come to the individual States, the task becomes even higher. Therefore, I would repeat that we will have to think of a kind of strategy and a kind of comprehensive programming. We have to think of a number of things over and above the current shape of the Plan programme for handloom development and then work out a programme whereby, perhaps roundabout the Sixth Plan we would be able to reach 50 to 60 per cent coverage. That would mean fairly massive programming and implementation and deployment of the Plan resources, and the Reserve Bank, the Department and others will have to join together. The task is very big but, I think, given a certain amount of coordinated effort by all agencies, this task in worth an attempt."

5.36. The Development Commissioner for Handlooms stated:—

"For each State we have drawn up the actual numbers, the number of societies and looms to be revitalised during 1976-77, 1977-78 and 1978-79 and we are going to watch the progress against the targets which have now been accepted by the States, by RBI and by ourselves at a common meeting..... One of the steps we have taken is to make a provision under the Central Plan for the first time of Rs. 1.5 crores during the current year, towards augmenting the share capital of the State Apex Societies and Corporations. National Cooperative Development Corporation is also likely to give us something like a similar amount during the current year and if possible we will enhance the amount next year. The idea is that the State Marketing Societies should have enough share capital available with them to be able to make the requisite borrowings for undertaking the marketing so that if we take up the revitalisation in this particular areas, the production out of these looms will have to be taken up by the marketing society for whom we are now going to give assistance. Therefore, it is a linked programme because revitalisation without taking care of the marketing outlay will be of no use."

5.37. Asked what steps are being taken up to encourage the handloom weavers to come in the cooperative fold, the Development Commissioner for Handlooms stated:—

"Extension of cooperative with all the best will in the world has been a slow process. It will take some time. It has to be built up patiently. Leadership has to be built up. Amalgamation has to be done. It may take anything like

> 3 to 5 years. There are some weavers who are not covered by any other scheme. We have to help them to the extent possible. We must ensure that in a city like Bombay or Delhi there should not be one shop of the Corporation side by side with another shop of the Cooperative apex society."

5.38. Regarding the detailed strategy evolved by the Government for increasing the cooperative coverage of handloom weavers and strengthening the handloom cooperatives, the Department of Textiles have stated in a written note submitted to the Committee:—

> "At the outset it must be stated that there are no reliable statistics on the effective cooperative coverage of the handloom weavers. Although the Sivaraman Committee Report has assumed the coverage to be of the order of 30 per cent, in the field it has been observed that the coverage is maximum of the order of 15 per cent. Over a period of years the societies once formed have become dormant or defunct due to a variety of factors. Some of them are:—
>
> (1) Inadequate share capital base to sustain production by adopting sound methods for obtaining credit.
>
> (2) Indifferent treatment from the District Cooperative Banks in regard to cash credit accommodation under the RBI scheme.
>
> (3) No sound marketing link between the Primaries and the Apex Society which it itself become weak for want of adequate credit under the RBI scheme.
>
> (4) Selfish interest of some powerful members in the Society who systematically misutilised the societies funds for their individual gains to the total neglect of other Members.
>
> The following are the major objectives of the Cooperative Development Schemes in the new Handloom Development Programme:—
>
> (1) Revival of defunct/dormant societies so as to realise the paper coverage of 30 per cent to real coverage in many States.
>
> (2) Formation of many new societies with a view to reaching 60 per cent coverage. In regard to the first problem, the steps have been initiated in recent months by holding discussions with the State Government officials and those of the Reserve Bank of India for making available the full requirement of cash credit under the RBI Scheme from

the District Cooperative Banks. The societies are being made eligible for credit by induction of new boards of management, appointment of suitable Secretary/Manager and by undertaking amalgamation of some non-viable societies ad liquidation of totally defunct societies. RBI have also recently relaxed the norms and conditions governing the operation of their scheme of handloom finance and it is expected that larger volume of credit will be available to the Handloom Corporations in the coming years. Also RBI has been approached for liberalising some norms and standards and for simplifying certain procedures in regard to the working of the scheme.

As regards strengthening of share capital base of these societies, Central Government is giving funds to State Governments for share capital loan to the societies on a matching contribution basis. In some States, the State Governments themselves are directly participating in the equity of these primaries.

During 1976-77 a sum of Rs. 100 lakhs together from the Centre and the States is expected to bring in one lakh weavers to the cooperative fold.

As the funds available with the Central and State Governments during the Plan period may not be adequate for the strengthening the share capital base of the primaries and help in reaching the 60 per cent coverage a proposal is being initiated to secure loan funds from the RBI under the LTO scheme to be injected by the State Governments into the cooperative societies of weavers. The LTO scheme of RBI in its present form is applicable only for the agricultural credit societies but it is hoped that the Government of India will appreciate the genuine difficulties of handloom cooperatives and take a decision to extend the scheme to this sector also.

Simultaneous to the strengthening operation being carried out for the share capital base of the primaries, action has already been taken for making available required cash credit as working capital under the RBI scheme from the District Central Cooperative Banks. Since the scheme in its present form poses certain difficulties for Handloom Societies, State Level Committees have been formed with the representatives of official incharge of Handloom, Cooperative Financial Institutions and RBI for expediting the credit applications of these societies and also for ensuring fair treatment for them *vis-a-vis* Agricultural Societies .

Similarly action has also been taken to strengthen the Apex institutions of Weavers Societies by injection of more share capital. During this year alone, a sum of Rs. 300 lakhs, both from the Centre and the States, is being pumped into these societies to enable them to draw more cash credit under the RBI scheme from the state Cooperative Banks and also set up more retail outlets for marketing of their products. These measures it is hoped will help them in lifting more products of the primaries which have been asked to work in close liaison with the Apex Societies as far as their production and sale programme is concerned.

Realising that Government outlays will not be sufficient to strengthen the cooperative a dialogue had been held recently with the National Cooperative Development Corporation for providing funds out of their resources for Handloom Cooperatives. It has just now been decided by NCDC to finance Handloom Apex Cooperatives from out of their resources for margin money assistance, constitution of showroom-*cum*-sales emporia, godown construction processing facilities, godown assistance and so on.

Government of India have also funds in their plan for pre-loom and post-loom facilities for weavers in the cooperative fold. A sum of Rs. 50 lakhs is being made available by the Central Government to the State Governments during this year."

5.39. Asked to furnish a statement giving the percentage of active coverage of handloom weavers under cooperative at the beginning of Fifth Plan, the targets fixed for increasing the cooperative coverage during the years 1974-75, 1975-76 and 1976-77, actual achievements against these targets, the present coverage, details of shortfalls in achieving these targets, if any, and reasons for shortfalls, the Ministry of Industry (Deptt. of Industrial Development) have stated in a note furnished in November, 1977 that:—

"Figures of percentage of active cooperative coverage of States before Fifth Five Year Plan were called for from the States, but figures are not readily available. However, a statement showing total number of handlooms Statewise, total.number of handlooms in Co-operative sector, percentage of cooperative coverage is given, in the statement Appendix VI).

As regards targets fixed for increasing Cooperative coverage during 1974-75, 1975-76 and 1976-77 actual achievements against these targets, the present coverage, details of shortfalls in achieving these targets, if any, and reasons for shortfalls, etc., information received from some State Governments is given in a statement (Appendix VII). Similar information from other States has not yet been received."

5.40. The Committee note that the High Powered Study Team on the problems of handloom industry (Sivaraman Team) had recommended that by the end of 1978-79, target for coverage of weavers in the active cooperative societies should be 60 per cent of the total and that the recommendation has been accepted by Government. The Committee were informed during evidence (December, 1976) that out of 35 lakh handloom in the country (nearly 40 lakhs according to latest figures till 1976-77), around 10 lakhs (12.4 lakhs according to latest figures) were covered by cooperatives "on paper at least", but the number of handlooms under active cooperative coverage was only 4.5 lakhs which works out to less than 15 per cent of the total handlooms in the country. Thus the actual programme for increasing the cooperative coverage amounts to increasing it from the present figure of 15 per cent to 60 per cent during the two years 1977-78 and 1978-79 which is quite a colossal and challenging task. The Committee are distressed to find that, as against a target of coverage of 60 per cent weavers under the cooperative by the end of 1978-79, the coverage upto the end of 1976-77 was stated to be only about 15 per cent. From this the Committee cannot but conclude with regret that after accepting the target of 60 per cent, effective steps were not taken to achieve it. The Committee are very unhappy at this woefully slow progress in this very important field and desire that this matter may thoroughly be investigated with a view to identifying the reasons for this dismal progress and revitalising the organisational structure at Central and State levels and devising remedial measures so as to ensure that at least hereafter the rate of progress is high enough to achieve the target at the earliest. The Committee would also like Government to fix time bound targets from year to year and moniter the progress in all the States and take timely measures to remove bottlenecks so as to avoid any further slippage. Needless to say, the achievement of the target will call for redoubled efforts on the part of Governments at the Centre and the States as also the active cooperation of non-official organisations.

5.41. The Committee would like to point out that Government should make a detailed study to find out the reasons for the large number of handloom cooperative societies becoming inactive or dormant and take remedial measures to remove these deficiencies so that the same may be avoided in future. The Committee feel

that unless and until the causes of these societies becoming dormant are identified and remedial measures taken, no programme for revitalising the cooperative societies can become effective as there will be every likelihood of these new societies again becoming dormant or inactive in a few years. Government should also evolve a comprehensive programme of reorganising the existing dormant or inactive societies into viable units by amalgamating or reorganising these societies and bring them on sound economic footing. As any programme for the revitalisation of these societies will necessarily depend upon local conditions, the Committee recommend that the strategy involved for the revitalisation of the societies should take into consideration local conditions in each State.

5.42. The Committee would like to point out that the main factors responsible for the cooperative societies becoming inactive are bad management, shortage of inputs and marketing facilities.

The Committee recommend that Government should have a sample survey conducted through an independent body of experts to find out the factors responsible for this state of affairs cooperative societies and ensure that such elements as are responsible for bringing these societies to such a sorry state should not be allowed to hold a position of responsibility in the cooperative societies. The Committee also feel that whenever, a society becomes inactive, the matter should be immediately investigated with a view to fixing responsibility. Government should also take suitable measures to ensure the supply of regular inputs and marketing channels for these cooperative societies. Government should also ensure with the assistance of Natioinal Cooperative Development Corporation and other financial institutions that the share capital of these cooperative societies is strengthened and brought on sound financial footing.

C. **Role of Handloom Corporations** vis-a-vis **Cooperatives**

5.43. A non-official connected with the handloom industry has stated in his memorandum submitted to the Committee:—

> "The Committee may take a special note of the great harm the Textile Development Corporations and the Handloom Development Corporations are causing to the handloom weavers development, through the media of Corporations. These Corporations are being promoted in different States against the advice and I may say, against the warning of the Reserve Bank of India."

5.44. He stated in his evidence before the Committee:—

> "According to Government policy, orders for the supply of handloom cloth to the Government Departments should be placed with the apex societies, a certain margin being allowed. So, all along, for years together, the apex societies were supplying the Government's requirements of cloth. But, last year, they promoted the Textile Development Corporation and Government's orders worth lakhs of rupees were directed to the Corporate body which should otherwise have gone to the handloom sector. This Corporation, instead of procuring the cloth from cooperatives, procured it from master weavers or individuals or from anybody they liked.
>
> In addition to this, last year the Central Government was kind enought to provide Rs. 5 crores for liquidating the accumulated handloom cloth which primarily means cloth held up with the primary cooperatives, if not apex. But in certain States this amount was not utilised for this purpose. This happened in Andhra Pradesh. The State Government got Rs. 1 crore but the whole amount was diverted to the Textile Development Corporation. After much persuation, with great difficulty they provided Rs. 50 lakhs to the apex institutions but Rs. 70 lakhs are still with the corporate body. That amount was not utilised for liquidating the stock of the handloom cloth, though it had accumulated, but it was utilised for promoting sericultural activities and also for purchasing cloth from outside etc."

5.45. Asked what steps Government proposed to take to avoid any competition between the Handloom Corporations and the co-operative sector and to ensure that the setting up of Handloom Development Corporations did not adversely affect the cooperative sector, the representative of the Department of Textiles stated in his evidence before the Committee:—

> "This particular problem is certainly very much on the horizon now and I think a proper sort of looking into the role of the State Apex Handloom Society and the Handloom Corporation in the State will have to be worked out. First of all on this, luckily we have some experience in other sectors also to see how the role of the State Civil Supplies Corporations and the State Consumers Federation is fixed. This kind of problem has arisen elsewhere also. Some schemes of making these institutions complementary to each other rather than competitive had been thought of.

> As the grass roots cooperative grow up, the role of State Corporations would diminish."

5.46. Another representative of the Department of Textiles stated:—

> "The point made is very valid. This is the biggest problem in the handloom sector. I have gone to Orissa and some other States. They have already set up Handloom Corporations. Cooperative Societies and apex organisations get worried as to what their role would be *vis-a-vis* the Corporation....It has got to be integrated into the scheme properly. Corporation can play a more positive role on the marketing than on the production side. They can help with their superior finance and better marketing techniques. They can help in the matter of disposal of the stocks of the Cooperatives. This they can have a positive role to play."

5.47. The Development Commissioner for Handlooms stated:—

> "There have been such scheme recommended by the Sivaraman Committee. There are some weavers who are not taken up by the cooperatives. It may take sometime to have this area developed. During this interim period something has to be thought of. This is in regard to areas uncovered by cooperatives so far. During the interim period this will be helpful. Handloom Corporation can take up the role of supply of inputs and undertake marketing of producted articles. So there is this role of the corporation in areas not covered by the cooperatives. We have also recognised that there should not be any duplication....It will take sometime for us to build up the cooperatives. The Corporation has taken up an intensive programme in the areas. After 2 or 3 years they will be able to organise themselves and say that corporation is no longer required. They can have their own societies, themselves."

5.48. Asked if any guidelines have been issued regarding the functioning of these corporations, the representatives of the Department of Textiles state:—

> "The Corporations are still in a very early stages of formation. This is the right time to see that there is no duplication of effort. The effort of the Corporation should be how to function as a functional agency to promote cooperative

sector rather than the non-cooperative sector. One solution may be that in each State we will have to find out how strong the cooperative movement is. If we find that the cooperative movement in that State is not strong, then the Corporation should have a broad cooperative policy and they should try to begin the sales and production activity in terms of functioning through the cooperatives rather than through the non-cooperatives. In States, where there are cooperative sectors which are not very strong, then they can start functioning through non-cooperatives and try to see over a period of time to develop cooperatives."

5.49. Asked if Government have issued any guidelines to the Handloom Corporation set up in various States with regard to their functioning *vis-a-vis* the handloom weavers cooperatives, the Department of Textiles have stated in a written note submitted to the Committee: —

> "The Central Government have not issued any guidelines to the Handloom Corporations set up in various States with regard to their functioning *vis-a-vis* the handloom weavers cooperatives. However, in the various meetings and discussions held with the State Government officials, the Central Government are making it abundantly clear that in the field of marketing there should be a harmonious coordination between the Corporation and the Handloom Cooperatives. It has been explained to the State officials that in the matter of opening new retail outlets, sales depots and pricing of the handloom products, there should be a common understanding between the two organisations. The two organisations have also been asked to function as agencies complementary to each other in marketing of the products of the handloom weavers.
>
> It should be emphasised here that problems of handloom weavers outside the cooperatives cannot be just minimised. It is an admitted fact that the handloom weavers outside cooperative fold have practically no organisational support till recently either in respect of supply of inputs, credit or marketing. Only after the formation of the State Handloom Development Corporations, there is some hope for these weavers. Even after reaching 60 per cent cooperative coverage by the end of the 5th Plan, the problems of individual weavers who would constitute 40 per cent of the total will remain and call for concerted action. Hence there is no question of corporations causing any harm to the interests of the handloom cooperatives.

In the light of the observations of the Sivaraman Committee Report it has been explained to the State Governments in the various forums addressed by the Development Commissioner, Handlooms that there should be no avoidable duplication of efforts in the functioning of the Handloom Corporations and Handloom Cooperatives. In areas where the cooperative societies are strong, the Corporation are also assisting them in lifting of their products in addition to the Apex Societies. It should be observed that even before Corporations were set up, the off-take of the products of the primaries by the Apex Societies was never beyond 30 per cent even in a State like Tamil Nadu. Hence the creation of the Corporations with their chain of retail outlets will only further the interest of all the primary societies in marketing of their products."

5.50. The Committee note that a number of State Governments have set up Handloom Development Corporations in the States for the development of handlooms. It has been represented that there is a fear in the minds of the cooperatives in these States that the setting up of these Corporations will adversely affect the growth of handloom cooperative as these Coroprations will enter into competition with the cooperatives and retard the growth of the cooperative movement. The Committee further note that the Central Government have not issued any guidelines to the Handloom Corporations with regard to their functioning vis-a-vis **the handloom weavers cooperatives. The Committee feel that it is high time that Government should ensure that the working of these Handloom Development Corporations should not in any way affect the growth of cooperative movement in the handloom sector. The Committee, therefore, recommend that Government should immediately issue comprehensive guidelines regarding the working of these Handloom Development Corporations to ensure that these Corporations work in close liaison with the cooperative societies in the area and there is no avoidable duplication of efforts.**

5.51. The Committee further recommend that in all those areas where there is a strong cooperative structure, the implementation of the Intensive Development Projects should also be undertaken with the help of the cooperative societies. In other areas where the Cooperative structure is week, this responsibility may be passed on to the cooperative societies as soon as the cooperative structure is adequately strengthened.

CHAPTER VI

MARKETING FACILITIES

A. Present position and Need for increase in marketing facilities

Organised and assured marketing is perhaps the single most important requirement for ensuring the successful implementation of the development programme for the handloom industry. At present, out of 2200 million metres produced by the handlooms, only a small portion is marketed by organised channels and for the rest the weavers have to depend upon their own initiative. The demand for handloom products is largely seasonal. Immediately after the harvest, demand picks up and the rural population buy most of their requirements, as the purchasing power is available mostly at that time. The demand then tends to peter out, leading to sluggishness in off take. The problem is further aggravated by the frequent accumulation of stocks due to fall in demand.

6.2. The major organised marketing agencies are the primary and the apex societies at the State levels and the All India Handloom Fabrics Marketing Cooperative Society Ltd., Bombay and the Handicrafts and the Handlooms Export Corporation of India at the Central level. For want of adequate financial assistance, a very large number of primary and apex societies have either been dormant or have not been functioning satisfactorily.

6.3. A number of non-official organisations and individuals connected with the handloom industry have in their memorandum submitted to the Committee, represented about the present unsatisfactory arrangements for the marketing of handloom products.

6.4. The representative of a cooperative organisation connected with the marketing of handloom products has stated in his memorandum submitted to the Committee:

> "The main problem of the handloom industry is marketing. Inadequate marketing facilities have resulted in periodical accumulation of handloom fabrics and remedial measures have been introduced by way of giving discount or rebate to liquidate the accumulated stocks. Accumulation of stocks would always result in under-employment and unemployment of weavers due to cut in production which would invariably result in accumulation of yarn also there-

> by adversely affecting the spinning mills. It is essential to strengthen the marketing facilities at all levels both within the cooperative sector and outside the cooperative sector.... It is only by improving the marketing facilities, the production programme can be expanded which would ultimately provide employment to thousands of poor handloom weavers in rural areas."

6.5. A Cooperative Society of handloom weavers in their memorandum submitted to the Committee has stated:

> "It has been our experience that wherever the primary weavers cooperative society have opened and own its own sales depots it has survived. Apex societies may assure marketing. They cannot, however, be completely depended upon. It should be the rule that each primary should have at least one depot. The Government should extend financial assistance by way of grant for the first five years for opening sales depots on sliding scales."

6.6. The representative of an organisations of handloom weavers has stated in his memorandum submitted to the Committee:—

> "As regards the arrangements for marketing handloom products, the existing marketing organisation in the cooperative sector must be further strengthened and expanded by increasing the number of depots and by modernising their show side. The Government was helping the Primary and Apex Cooperative Societies during the Second and Third Five Year Plan periods to open new sales depots by giving them financial assistance to meet the cost of rent, furniture, salaries, publicity, supervision and other contingent expenditure of each depot on a sliding scale for 5 years. The same procedure with further improvements can be extended and continued.
>
> In this connection it is also necessary to stress the need for sustained publicity and propaganda about the merits and advantages of handloom products."

6.7. The High Powered Study Team on the Problems of Handloom Industry in their report submitted in July, 1974 had made the following recommendations regarding marketing:—

> "(i) The Apex Marketing Societies have to get more involved in marketing functions since the past experience is that the Primary Weaver's Society cannot run their own marketing organisations.

(ii) The Apex Societies must take responsibility for supply of yarn for a reasonable percentage of weavers' requirements and arrange to market at least 50 per cent of the production of the Primary Weavers Society through a central organisation. The primary societies can be expected to deal with the balance 50 per cent of production by local marketing. The Apex Marketing Societies should immediately strengthen their organisation and take over this responsibility in a phased manner in each State.

(iii) The State owned Corporations/Emporia should deal with the marketing of the produce of individual weavers who should be able to market their own goods themselves."

6.8. Asked about the steps proposed to be taken by Government to ensure proper arrangements for the marketing of handloom products, the representative of the Department of Textiles stated in his evidence before the Committee: —

> "Our understanding is that currently the total value of handlooms that is marketed is around Rs. 1000 crores and the total share of the institutionalised marketing is around Rs. 100 crores or a little more than that....It is somewhere around Rs. 95 crores or so from the cooperative sector and another about Rs. 10 crores would be from the non-cooperative institutionalised sector like the Handloom Corporations and so on, so that roughly a little over 10 per cent is the share of organised institutionalised marketing system in the disposal of handloom products. It is very small. Therefore, we recognise that a great leeway had to be made up if we had to introduce some orderliners in the marketing of the products. The kind of thing that we are trying to work up is that we are trying to capture 20 per cent to 30 per cent because we want to understand better the problem posed before us. The level of cooperative marketing should go up from the present figure by the end of the 5th Plan, whatever may be the level, it will be the absolute level. With this kind of quantitative target that we set ourselves by the end of the Fifth Plan, the turnover of marketing would be about 50 per cent. The total programming in the cooperative field is being organised on that basis."

6.9. The Development Commissioner for Handloom stated:

> "The only thing is that the problem of marketing has to be tackled at some higher level because the overheads involved are quite high. But we do have the example in this

regard. In one State, the State Apex Society has got a total share capital of Rs. 7 lakhs whereas the value of its production assessed by us was somewhere around Rs. 1.50 to Rs. 2 crores. So it can hardly perform with this strength. So, we have got to work in both ways. Mere injection of money will not be enough. National Textile Corporation has got a chain of 1500 retail outlets all over the country. We are trying to get the National Textile Corporation to take part of the marketing jobs for us on all-India basis. Secondly, the All India Fabrics Cooperative Marketing Organisation have a programme to open handloom houses in every State during the next 3 to 5 years. They have already 7 to 8. We want them to open at least 15 or 20. The National Cooperative Development Corporation is also there. I agree that mere financial assistance will not serve to organise marketing unless we take further steps."

6.10. Asked what mechanism is proposed to be introduced to make a scientific and systematic study of the consumer demands, the Development Commissioner for Handloom stated:—

"The marketing problem is a very big problem and we are a little bit baffled. One simple way I have already told you but it would not produce all the results. The other one is the continuous feedback of the demands pattern to the handloom products. It has been appreciated that today perhaps 60 to 65 per cent of the production of the handloom is in sarees and dhotis and the rest of it is in other items. When we move from the present level of 2200 to 3000 million metres, the production will be in the non-sarees and dhotis sectors. The marketing problem of sarees and dhotis is less than in others. Therefore, we want to evolve a marketing strategy. We have addressed all the State Governments and our Ministry is thinking of having a meeting with all the States. We have to determine what are the products in other States, how much of it will be consumed in the States and what is the surplus for which we will have to make arrangements. For instance, in Vidharbha, one of the problems has been that Vidharbha handlooms are still producing a large quantity of 8 metres of coloured sarees. Once there was a very high demand of these sarees in Maharashtra and Marathwada region. But now this demand is falling due to change in the habit of the people. But these looms are still producing these sarees. They have Rs. 1½ crores worth of stock with them of this type of sarees. This gives a clear indication that weavers do not know the changes that are

> taking place in the fashion. Even if we cannot give them sophisticated guidance, I want that at least this much must be known to them. This is what we are trying to do though it is a very big problem."

6.11. Asked about the steps taken by Government to increase the publicity of handloom goods and better display of products, the development Commissioner for Handlooms stated:

> "This is being done through the Apex handloom societies but we are aware that it is not enough. We have to set up publicity programme. This will be one of the items in our marketing strategy conference as to what strategy we would have on all India basis so that products of all States should get equal importance."

6.12. Asked if it was a fact that the Handloom Fabrics Marketing Cooperative Society is serving the interests of Master Weavers more than the Cooperative sector, the Development Commissioner for Handlooms stated:

> "The Handloom society has three classes of shareholders. Class (a) consists of apex coöperative societies, class (b) consists of primary cooperative societies and class (c) consists of all the State Governments or State Handloom Cooperative Industries. It is a fact that the purchases from the cooperatives which are in A and B groups amounted to Rs. 2.26 crores or say, 47 per cent of the total purchases, and those from the C class members amount to Rs. 2.58 crores or 53 per cent of the total purchases....We had a full dialogue and we are determined that we must step up both the absolute figures and the proportion of percentages from the cooperatives. During the current year, the purchases from cooperatives have gone up from 47 per cent to 60 per cent. Over the next 1 or 2 years we want to raise the percentage still further. We feel that purchases should be largely from the State Corporations, rather than from private firms. Under its constitution, the society gives preference for the purchases from the cooperative societies. The weavers in the cooperatives will, therefore, stand to gain from the activities of the handloom society. But again, the discouraging fact is that the total marketing handled by the fabric society is still a very small proportion of the turnover of the handloom products in the country. It is only Rs. 6 crores."

6.13. Asked if any programme had been drawn up by the Fabrics Society for expanding their marketing activities, the Development Commissioner for Handlooms stated:

> "In the current year's plan, provision has been made for opening one handloom house at Hyderabad and if possible, one more at Kanpur. For the next year, the programme is to have 2 more Handloom Houses, and also to have one in London or New York after the marketing survey currently going on. 2 or 3 handloom houses in any case are planned to be opened every year."

6.14. Asked if a plan to open such handloom houses in smaller towns had been drawn up, the Development Commissioner for Handloom stated:—

> "Of course, at present, the idea is only to open them in metropolitan areas; but we do concede that now probably there is scope for widening the scope of the all India Society which is the only agency we have at that level. We have state Apex societies and to the extent, we need the help of those societies, we can use the all India apex society. At the present moment, we experience lack of resources. We have to study the financial aspects also."

6.15. Asked if any link arrangements between the State Coporations and the All India Handloom Fabrics Marketing Cooperative Society have been envisaged, the representative of the All India Handloom Fabrics Marketing Coöperative Society stated:—

> "The Fabric Society has sent to all corporations the prescribed application forms and bye-laws to enable them to become members. Some of them like the Maharashtra, Andhra and Mysore Corporations have already become members. We have also started purchasing in a small way because it is yet a new corporation."

6.16. Asked about the functions, composition; and achievements of the Handloom Fabrics Marketing Cooperatives Society Ltd., the Department of Textiles have stated in a written note submitted to the Committee:—

> "In order to develop the market for handloom fabrics produced both by the cooperative sector and outside the coöperative sector both within the country and abroad, one of the schemes sponsored by the All India Handloom Board was to establish the All India Handloom Fabrics Marketing Cooperative Society Ltd. This Society was register-

red in Bombay under the multi unit Cooperative Societies Act in March, 1955. The members of this society consist of State Apex Weavers Cooperative Societies, Primary Weavers Cooperative Societies, State Governments and Producers of Handloom Cloth outside the cooperative fold. The society has an authorised capital of Rs. 65 lakhs. The paid up capital has increased year after year to the level of Rs. 30.01.500 as on 30th June, 1976. For marketing handloom cloths within the country, the society is running a chain of handloom houses in Bombay, Madras, Calcutta, New Delhi, Bangalore and Ahmedabad. The first Handloom House was started in Bombay during 1956 and other handloom houses came one after another during subsequent years. The Handloom House, Ahmedabad, the latest in the chain, was started during the year 1969. The next Handloom House is expected to be started in Hyderabad during 1977, the construction of which is already in progress. The Society is having plans to open more Handloom Houses in the near future. The cost of setting up each Handloom House is quite substantial in view of the position that it will have to be well-decorated and air-conditioned so that the customers are attracted with a view to increase the sales....These handloom Houses are stimulating the demand for handloom fabrics both within India and abroad as many foreign customers also visit these Handloom Houses. The sales in these Handloom Houses which were to the tune of Rs. 155 lakhs during 1961-62 have gone upto Rs 610 lakhs during the cooperative year 1975-76. The value of sales during the last five years is given below:—

	Rs. in lakhs
1971-72	351
1972-73	340
1973-74	435
1974-75	473
1975-76	610

The society procures fabrics for sale as far as possible from the cooperatives. Such of the fabrics as are not produced or are not readily available from the cooperative sector, are procured from outside the cooperative sector.... As and when the cooperative sector develops further both in the coverage of looms and also the production of quality products, the procurement from coopeative sector would substantially increase."

6.17. Marketing may well be described as the most essential pre-requisite for successful implementation of the development programme of the handloom industry. The frequent crisis felt in the handloom industry due to accumulation of stocks of handloom cloth resulting in distress to handloom weavers clearly underlines the need for improving the marketing for the handloom products. As the production of handloom products is envisaged to be increased from the present level of 2200 million metres to 3000 million metres by the end of Fifth Five Year Plan and most of the increased production will be in varieties other than dhotis and sarees where the marketing problem is not so acute, the problem of marketing of handloom products will assume still more serious proportions until and unless a more energetic and well planned marketing strategy for the sale of handloom products is adopted. The Committee, therefore recommend that if any substantial improvement is to be made in the condition of handloom industry and lot of handloom weavers, Government should take concerted measures for improving the marketing arrangements for the handloom products and to so regulate the price structure that the handloom products do not suffer in competition from other products.

6.18. The Committee note that at present only 10 per cent of the handloom products are being marketed through organised channels and for the rest, the handloom weavers depend upon themselves with the result that considerable time has to be spent by them in the marketing of their products and more often than not they are faced with the problem of accumulation of stocks resulting in distress sales and considerable hardship to them. The Committee, therefore, recommend that Government should evolve a strategy and prepare a time-bound programme to increase the marketing of handloom products through organised channels so that the handloom weavers may be assured of the marketing of their products. The Committee recommend that for this purpose an economic and business like mechanism should be evolved in which the Cooperative Societies of handloom weavers, should play a pivotal role in ensuring the supply of yarn to the handloom weavers at fixed rate and purchasing the finished products and arranging for its marketing at sales depots at various places. These sales depots should also keep the handloom weavers informed about the latest consumer preferences and demands so that their products conform to the market trends and no difficulty is experienced in the marketing of these products. The Committee further recommend that pilot projects or these lines in selected district towns with concentration of handloom weavers in the surrounding areas may be started in the first instance and the same may be extended to other places in the light of experience gained. Efforts should be made to maximise the turnover and reduce the marketing costs so that the price may be minimised and the products may be readily acceptable to the consumers.

6.19. The Committee note that one of the main reasons for frequent accumulation of stocks is that in many cases the production of cloth is not related to the market demand. The case of the weavers in Vidharba who are still producing eight metres coloured sarees in spite of the fact that these sarees are gradually going out of demand, is a clear instance how the production is not aligned to the demand. The Committee would like to point out that there are frequent changes in fashions and designs of cloth which affect the market demand of textiles. Until and unless the production of handloom cloth keeps pace with the changes in designs and fashions etc., the sale of these products is bound to suffer. This emphasises the importance of market intelligence and continuous feedback of information regarding changes in fashions and designs etc. to the actual producers of handloom cloth. The Committee, therefore, recommend that Government should organise a mechanism which should be inbuilt into the wholesale and retail system of marketing to find out the latest trends in designs and fashions etc. and consumer preferences. In addition, special surveys by highly trained persons wherever required should also be conducted at selected places to assess such changes in consumers demands and preferences. The Committee further recommend that the State Handloom Corporations and the Weavers Service Centres should also play an important role to this mechanism of feed-back of market intelligence to the weavers.

6.20. The Committee further note that at present sufficient publicity is not being given to the handloom products. The Committee recommend that Government should, in consultation with the State Governments and State Handloom Corporations evolve a comprehensive strategy for adequate publicity of handloom products by display of hoardings at railway stations and important public places, cinema slides etc.

6.21. The Committee note that in order to promote the marketing of handloom products, the All India Handloom Fabrics Marketing Cooperative Society was set up in 1955 and this society has set up Handloom Houses in Bombay, Madras, Calcutta, New Delhi, Bangalore and Ahmedabad. The Handloom House in Ahmedabad was the latest to be set up in 1969 and since then no Handloom House has been set up. It is, however, proposed to set up a Handloom House in Hyderabad. The Committee are surprised to note that although the All India Handloom Fabrics Marketing Cooperative Society is the only major body for the marketing of handlooms fabrics in the country, this society has been able to open only six handloom houses in the country and that also only in the metropolitan cities and since 1969 no new handloom house has been opened. The total sales of the society amount to Rs. 610 lakhs only which forms a very small fraction of the total turnover of handloom products in the country. The Committee note that the main inhibiting factor in the opening of more handloom houses is that these Handloom Houses are opened in spacious accommodation and are air-conditioned and thus require a lot of financial investment. The Committee fail to understand why the All India Handloom Fabrics Marketing Cooperative Society cannot open Handloom Houses in smaller accommodation to meet the demand of the people in smaller towns. The Committee recommend that the All India Handloom Fabrics Marketing Cooperative Society should prepare a master plan for opening handloom houses on a modest scale in important district head-quarters in a phased manner so that the handloom products can be marketed on a larger scale and the overhead expenses may be reduced to the minimum. It should be ensured that these handloom houses stock varieties of cloth from all over the country which are in local demand.

6.22. The Committee recommend that stalls should be opened in festivals, fairs and exhibitions to encourage the sale of handloom products.

6.23. The Committee consider that there is a vast market for handloom cloth in rural areas and moffussil towns which has not been fully tapped. It is, therefore, of utmost importance that close attention is given to meet the clothing needs of these people by supplying them cloth of requisite quality, design and fashion to meet their local demand. It should be ensured that the quality of the cloth is good and the price is not only competitive but cheaper. The Committee recommend that a concerted drive should be organised to tap the vast potential of the rural market in the country by demand survey of the various areas to ascertain their consumption pattern and by providing market outlets for stepping up the sale of handloom products.

B. Rebate on the sale of Handloom Cloth

6.24. One of the measures taken by Government for promoting the sale of handloom cloth is the grant of rebate on its sale. Rebate on sale of handloom products at the rate of 5 per cent is being given round the year and at the rate of 10 per cent for a total period of 15 days in a year. As a special case, the Central Government allowed rebate at the rate of 20 per cent on sale of handloom products for a period of three months *viz.*, December, 1975, January and February, 1976 to liquidate the accumulated stock of handloom products.

6.25. A number of non-officials connected with the handloom industry in their memorandum to the Committee as well as in their oral evidence have emphasised the need for scrapping the present rebate system. A non-official connected with the cooperative movement in the country has stated in his memorandum submitted to the Committee:

> "Facility of rebate on the sale of handloom cloth to the consumer by the handloom industry is misused to some extent. The rebate on rates of raw materials will help to decrease the rates of finished goods positively and there is no possibility of it being misused."

6.26. The representative of an organisation of handloom weavers has stated in his evidence before the Committee:—

> "If at all the Weavers' Cooperative Movement was damaged, it was done by the rebate subsidy scheme. The worst damage that was done to the growth of handlooms and to the cooperatives was done by this rebate subsidy. I gave details as to how collusion between officials and non-official had provided the best opportunity for people at the local level to earn. As far as the apex institutions are concerned, there is very little scope for misuse. But this has diverted the whole budget provisions of the State Governments and whatever little they had had to be spent on the rebate subsidy. They could take up no developmental or administrative activity. On the one hand, the movement is living on bounties, on the other, it has not been strengthened. Its economy has been shattered. A 20 per cent rebate was announced last year—10 per cent to be borne by the State Government and the remaining 10 per cent by the Central Government. 8 months has passed; not a single pie has been reimbursed, till now. Round about Rs. 6 to 8 crores were spent for the subsidy and distributed to the consumers by the cooperatives."

6.27. The High Powered Study Team on the Problems of the Handlooms Industry (Sivaraman Study Team) in their report had recommended that:—

> "Unfortunately, rebates have not been reimbursed to the primary cooperatives for long periods in many States. This has created serious difficulties in the financial structure of the cooperatives. If a rebate system is accepted by the State Governments, they should make it a point to reimburse promptly the legitimate rebate to the societies. (2) If the various recommendations made for putting the handlooms in a competitive position vis-a-vis the powerlooms and the mill sector are accepted, the handloom goods could get their fair share in the market and no subsidy would be necessary. However, a change over from a system of subsidy to one of no subsidy should be effected gradually over the next three years by tapering of the subsidy. The State Governments can use the available funds for (i) share capital loans to weavers (ii) managerial subsidy, (iii) training expenses, and (iv) contributory provident fund."

6.28. The Andhra Pradesh Assembly had also appointed a Committee on 12 March 1976 to enquire into the activities of handloom cooperative organisations relating to the misuse of rebate. The Committee submitted their report in July, 1976. In their report the Committee held that:

> "(1) We hold that the two societies have committed irregularity and violation of the conditions imposed and instructions issued by the Central and State Governments for the grant of 20 per cent special rebate on sales of handloom cloth procured from outside as well as from private parties during that period.
>
> (2) In the light of the above finding, we hold that the conditions of rebate are equally applicable to the sales made during the 20 per cent special rebate period by other organisations. In other words, these institutions also cannot claim any rebate if they have procured any handloom cloth either from outside the State or from private parties within the State and allowed rebate on the sale of such cloth during the 20 per cent special rebate period. As such, the Department should take action for the rejection of such claims, if any, submitted by any of these organisations.
>
> (3) The Committee, therefore, is of the view that the Government should take a serious note of this situation and issue

suitable instructions to avoid recurrence of such lapses.

(4) We, therefore, recommend that Government may take action accordingly to tighten the procedure in this behalf to make the claimant as well as certifying official accountable for the correctness of the claim.

(5) We also recommend that in relation to 20 per cent special rebate allowed recently, the Department should take appropriate action against all these officials who may be found to have issued false certificates in support of bogus claims made by several primaries.

(6) Another issue before the Committee was regarding the sale of powerloom cloth by a Society as handloom cloth and allowance of rebate on the sale during the rebate period....The circumstances left no room for any doubt whatsoever that the sale of powerloom cloth during the above period was done with full knowledge of the Management of the Society. For the above reasons we find this issue against the society and hold that it has committed a serious irregularity knowingly that such sales amounted to violation of the conditions imposed by the Government for the grant of rebate. And as such they are liable for action under law."

6.29. Asked if Government have made any study of the impact of the rebate scheme on the handloom industry, the Development Commissioner for Handlooms stated in his evidence before the Committee:

> "As part of its work, the Sivaraman Committee had studied the working of the rebate and subsidy scheme and come to certain conclusions. It had, of course, found that the scheme had introduced very many problems and to some extent malpractices also into the system, and it said that rebate should be given up over a period of time. If it was done away with at one stroke, there might be some repurcussions on the weavers, which we did not want, because it has been a long-standing system."

6.30. Asked if the major portion of the rebate was going to the weavers, he replied:

> "It will be difficult to say precisely, but in a well-organised state like Tamil Nadu, much of there rebate benefit is, in fact, going to the weaver. The rebate is passed on to the weavers in the sense that purchases of the cloth are main-

tained. Because of the rebate, the turnover is kept up. That is the only way in which we can say that it is passed on to the weaver. In December-January of 1975-76 there was a terrible glut of handloom stocks all over the country. Therefore, we came out with a scheme of 10 per cent rebate by the States and 10 per cent by the Centre. As a result of this, the total rebate came to about Rs. 2 crores and the total clearance was to the extent of Rs. 10|15 crores of handloom cloth. But we cannot be 100 per cent sure who exactly in the entire chain is benefited, but if stocks accumulate, the production programme of the weaver is affected."

6.31. Asked if the 10 per cent rebate which was to be paid by the Central Government had seen paid in full to the State Governments and if there were any outstandings in this regard, the Department of Textiles have stated in their reply furnished in April, 1977 that "10 per cent share of rebate by Central Government on sales of handloom cloth effected during December, 1975 to February, 1976 was to be reimbursed to State Governments on receipt of audited Statements of accounts. However, with a view to avoiding hardships to cooperative societies etc. it was decided to pay 90 per cent of Central Government's share of rebate on the basis of statements of sales received from State Governments. The balance 10 per cent was to be paid after receipt of statement of accounts. On this basis, a sum of Rs. 2,23,78,993 was paid to 10 State Governments. No further claims of State Governments are outstanding with the Central Government at present except Pondicherry to whom a sum of about Rs. 13,000|- will be paid shortly. As and when further claims will be received from State Governments these will be paid."

6.32. When his attention was drawn to the irregularities pointed out by the House Committee of the Andhra Pradesh Legislative Assembly, the Development Commissioner for Handlooms stated:

> "They stopped the rebate immediately after the report. There may have been individual cases of malpractices."

6.33. Asked if these malpractices are the rule or the exception, the Development Commissioner for Handlooms stated:

> "It is difficult for me to say."

6.34. The Development Commissioner for Handlooms further stated:

> "So we are in a position where recognition of the problem is there, but as the subsidy has been in operation for about

> 20 years, although we want to do away with it, we cannot do so immediately."

6.35. Asked about the action taken on the recommendation of the Sivaraman Committee regarding abolition of rebate system in three years time, the Development Commissioner for Handlooms stated:

> "After the Sivaraman Committee's report was submitted, a high level inter-Ministerial Committee was appointed to go into its recommendations and decide which could not be accepted for immediate action etc. On that a note was sent upto Government in the middle of 1975 and the decision was reached by about September, 1975."

6.36. Asked if it was a fact that many State Governments have not yet reimbursed the rebate given by the societies, the Development Commissioner for Handlooms replied:

> "Yes, we have heard complaints that there have been long delays by some States."

6.37. Asked about the recommendation of the high level inter-ministerial group on the view of the Sivaraman Committee regarding abolition of rebate system, the Department of Textiles have stated in a written note submitted to the Committee:—

> "The Sivaraman Committee had no doubt recommended a change over from a system of subsidy to one of no subsidy to be effected gradually over a period of three years by tapering of the subsidy. The market for handloom goods during the last two years has been extremely slack, leading to large accumulation of cloth stocks with the cooperatives and the private trade. The handloom development schemes launched by the States have also brought in additional quantum to the market, depressing further, the already depressed market. The market for textile mills has also been sluggish for sometimes now. The cumulative effect of slackness of cloth market has been the piling up of large stocks of unsold cloth, leading to distress and unemployment among weavers. Under such a situation, the removal of rebate would only aggravate the malady. That was why a special rebate of 20 per cent to clear the accumulated stocks was allowed in January-February, 1976 and again this year during March-April. The Sivaraman Committee's recommendation, though accepted in principle, could be implemented only when the market for handloom goods turns normal."

6.38. Asked if instead of granting rebate in cash on the sale of handloom cloth, the handloom weavers might be supplied yarn on subsidised rate, the Development Commissioner for Handloom stated in his evidence before the Committee (November, 1977): —

> "We have also given a lot of consideration to the rebate point. We consider that it is not desirable to continue it for long. ———What we want to do so, if possible, to give raw material at a lower rate rather than giving rebate on the sale of the handloom cloth because we are finding that the rebate is not always reaching the weaver—We would like to give yarn at a lower rate. It may be subsidised but we try to give him at a reasonable price rather than introduce a rebate at the selling point. We want to implement the suggestion, but we have to do in consultation with the States."

6.39. The Committee note that one of the steps taken by Government for promoting the sale of handloom cloth is the grant of rebate on the sale of cloth. The rebate is granted at the rate of 5 per cent throughout the year and 10 per cent for a total period of 15 days in a year. A special rebate of 20 per cent was also allowed for a period of three months viz., December, 1975 and January and February, 1976 to liquidate the accumulated stock of handloom products. However, from the representation received from a number of non-official organisations, the Committee note that there have been complaints of widespread malpractices in the working of this rebate system in collusion with Government officials. The House Committee of the Andhra Pradesh Legislative Assembly in their report submitted in July, 1976 has also pointed out grave irregularities like sale of powerloom cloth as handloom cloth and submission of false claims etc. for grant of rebate subsidy. The Committee are greatly concerned that such irregularities were allowed to take place in the working of the schemes.

6.40. The Committee feel that the rebate scheme in the present form has failed to serve the objective for which it was introduced. The Development Commissioner for Handlooms in his evidence stated that the rebate on the sale of handloom cloth was not always reaching the weaver, so it was not desirable to continue it for long. Instead it was considered advantageous to give the raw material to weavers at a lower price. He stated that "what we want to do is, if possible, to give raw material at a lower rate rather than giving a rebate on the sale of handloom cloth—but we have to do it in consultation with the States." The Committee recommend

that Government should consider this matter critically in consultation with the Staates and intimate alternative measures for helping the handloom weavers. The Committee feel that one such measure may be to supply yarn to the handloom weavers at subsidised rate as it will ensure that the benefit of the rebate reaches the actual weavers and the sale of handloom cloth will increase considerably because of the consequent reduction in its price. The Committee recommend that yarn at subsidised rates should be supplied to the Handloom weavers directly through Apex societies and Handloom Cooperative and the weavers getting such yarn should be required to supply their end products to these Corporations to guard against the misuse of such subsidised yarn for other purposes. The Committee are convinced that if the various measures being taken for the development of the handloom industry are implemented with real zeal and determination and in their true spirit, there may be no need for interim measures like grant of rebate etc. for ensuring the sale of handloom cloth.

6.41. The Committee note that the High Powered Study Team on the Problems of Handloom Industry (Sivaraman Study Team) had recommended in their report submitted in July, 1974 that the rebate should be gradually abolished within a period of three years. The Committee are surprised to note that although the recommendation of the Study Team has been accepted by Government in principle, no concrete action in this direction has been taken on the ground that as the market for handloom cloth has been sluggish the abolition of the rebate will have an adverse effect on the sale of handloom cloth. The Committee are not convinced with this argument as the objective can be easily achieved by granting rebate to handloom weavers in some other form e.g. by supplying yarn at cheap rate etc. The Committee recommend that as Government have accepted the recommendation of the Sivaraman Study Team regarding the gradual abolition of rebate, steps should be taken to implement this recommendation in right earnest at an early date.

6.42. The Committee further note that in many of the States, the rebate granted by the cooperative societies has not been reimbursed to them so far and there are large outstandings on this account. This has adversely affected the financial position of these societies as a large portion of their working capital has been blocked. However, the Department of Textiles has claimed that although the Central Government share had to be paid on receipt of audited accounts, 90 per cent of the Central Governments' share has been paid on the basis of statements of sale received from the State Governments and the balance 10 per cent will be paid after receipt of statement of account and an amount of Rs. 2.23 crores has already

been paid to 10 State Governments. The Committee fail to understand why there should be any delay in the reimbursement of this rebate when a decision to grant such rebate was taken by Government and the share of Central Government has already been reimbursed. The Committee recommend that the Development Commissioner for Handlooms should take up the matter immediately with the State Governments and persuade these State Governments to reimburse the amount of the rebate to the cooperative societies at an early date.

C. Production of Controlled cloth

6.43. A number of non-official organisations connected with the handloom industry have suggested that the production of controlled cloth should be assigned to the handloom sector so as to ensure market for the handloom products and also to ensure the supply of controlled cloth of requisite quality at reasonable price.

6.44. The representative of a cooperative society connected with the handloom industry had stated in his memorandum submitted to the Committee:

> **"Production of some varieties of controlled cloth should be assigned to the handloom industry as well as powerloom industry. These industries will definitely be able to meet the total requirements of the controlled cloth of the country as the main problem before these industries is that of marketing of their products.**

6.45. The representative of an organisation of handloom weavers has stated in his evidence before the Committee:—

> **"Abuse is there but still the controlled cloth scheme is a good scheme and I personally feel that handloom and powerloom sector can undertake this activity provided certain facilities are given and certain norms are fixed and marketing arrangements are made."**

6.46. Regarding the production of controlled cloth, the Estimates Committee (1973-74) in their Sixty-First Report on the Ministry of Commerce (Department of Internal Trade)—Civil Supplies Organisation had observed that "Although in June, 1971 the Industry agreed to produce 100 square metres of controlled cloth every quarter, actual production has always fallen short of the agreed minimum except in the first year *i.e.*, June, 1971 to May 1972. Moreover the controlled cloth produced under the voluntary offer was less than 10 per cent of the total production of cloth by the mills as compared to 25 per cent under 1968 scheme, 40 per cent under the 1967 scheme and 50 per cent under the earlier 1964 scheme. The Committee are unable to understand why Government acquiesed in production of lesser quantity controlled cloth by the Mills and did not pursue a fixed policy to make adequate quantity of popular varieties of controlled cloth available to the people......A more systematic approach to the problem would, in the opinion of the Committee, be to determine the minimum annual requirement of controlled cloth on the basis of a minimum per capita annual requirement of controlled cloth on the basis of a minimum per capita requirement of 12 sq. metres and the size of the population which has to be catered for particularly the weaker and vulnerable sections of society. The Committee urge that Government may urgently assess the requirement of controlled cloth as aforesaid and take suitable measures to further increase the production of controlled cloth to meet these requirements."

6.47. Asked if Government have formulated any scheme for the transfer of controlled cloth scheme to the handloom sector, the Department of Textiles have stated in a written note submitted to the Committee:—

> "In consideration of the Marathe Committee's report on the revision of prices of controlled cloth, the Cabinet Committee at its meeting held on 26th February, 1976 approved in principle the following suggestions, alternative to increase in prices of controlled varieties of cloth:—
>
> (i) shifting of production of controlled varieties of cloth, especially dhotis and sarees to the handloom sector;
>
> (ii) involvement of powerlooms with the production of controlled varieties of cloth.

6.48. With a view to processing action in respect of the first suggestion on a priority basis, an official Committee headed by the Development Commissioner for Handlooms was set up to work out the operational arrangements for the production of dhotis and sarees of controlled categories in the handloom sector. The Committee has *inter alia* suggested a framework for the needed arrangements on the following lines:—

(i) Production of 200 million sq. metres per annum of dhotis and sarees of controlled specifications in the handloom sector subject to marginal adjustments to suit the local pattern of production may be programmed in a phased manner. Until the handloom sector is geared to 100 per cent production of the allotted quantity, parallel production in mill sector will continue;

(ii) A subsidy to be reviewed and determined periodically may be given, on the production of dhotis and sarees, the rate of subsidy of Re. 1/- per sq. metre being initially adopted.

(iii) Production of dhotis and sarees in the handloom sector may be organised through State Governments in selected

States on the basis of consumption pattern and production pattern. The State Governments will in turn organise the production through the cooperative societies and/or Government agencies.

6.49. After considering the suggestions contained in the Report of the above Committee, Government had decided that the programme for production of controlled cloth (Dhotis and sarees) should be implemented on an experimental basis in the areas where it is most likely to succeed.

6.50. In pursuance of the above decision, discussions were held with the representatives of the State Governments and a scheme for the production and distribution of controlled categories of dhotis and sarees in the handloom sector has been formulated on the following lines:—

(i) In view of highly dispersed nature of the handlooms in the country and the pattern of production and consumption being not only different between mills and handlooms but also different within the handloom sector itself between various areas of production and also the organisational and other difficulties involved in administering a scheme of control on a statutory basis, it has been decided that the dhotis and sarees sold under the scheme would for the present not come under the statutory Scheme. At the same time, as the scheme is meant to benefit the poorer section of the community, the sarees and dhotis will be sold as "Handloom Janata Sarees" and "Handloom Janata Dhotis."

(ii) It is expected that a total of about 20,000 loom could be put on this production from all the participating States. The actual number of looms to be commissioned in the first quarter and the second quarter will be decided in each State. In any case, at the beginning of the second quarter of the experimental stage of the scheme, the full number of 20,000 looms is expected to be in operation.

(iii) The maximum permissible count will be 40 as for excise duty classification for higher medium. Actual count range is likely to be between 20s and 40s, depending upon the existing production pattern in different areas. Sarees will generally be coloured sarees under the scheme.

(iv) It was agreed by the State Governments that they would commence production on the basis of a subsidy of Re. 1/- per sq. mt. for the present and that costing study would be carried out by Development Commissioner, for Handlooms' organisation and the State Governments during the first two quarters in order to get a more precise idea of the actual cost of production. This may lead to the necessity for a review of the quantum of subsidy at that stage.

(v) With the progress made in the implementation of the scheme, a clearer picture would be available soon. It would then be necessary to determine the procedure for the release of subsidy meant for the State Governments.

(vi) As regards the quality control for the cloth produced under the scheme, the State Governments themselves will be responsible for ensuring that the cloth produced is in conformity to the standards prescribed. The services of the Textile Commissioner's field organisation will be fully available to assist the State Governments in this matter.

(vii) Since the initial quantity of cloth under the scheme will not be very large, at least in the first one or two quarters, it was decided that the controlled cloth produced under the scheme may be distributed by the State Agencies, *i.e.* cooperative societies and other approved outlets, within the State itself. National Consumers Cooperative Federation would give instructions to its State Federations to assist the marketing of this cloth through their own super bazars, etc. At a later stage, it would be necessary to bring National Consumers Cooperative Federation into the picture for all India distribution.

6.51. Accordingly, the following States have agreed to participate in the scheme, and a number of them had brought in their first release of handloom Janata Dhoti and Handloom Janata Sarees on the 2nd October, 1976 *viz.*, Gandhi Jayanthi:—

(i) **Andhra Pradesh**
(ii) **Bihar**
(iii) **Karnataka**
(iv) **Kerala**
(v) **Madhya Pradesh**
(vi) **Maharashtra**
(vii) **Tamil Nadu**
(viii) **West Bengal**
(ix) **Uttar Pradesh**

Statistical returns have been prescribed for the periodical submission of data on the technical and costing particulars, production and actual deliveries of each selected dhotis/sarees sort for which a specific serial number has been allotted.

Tamil Nadu, Kerala, and West Bengal and Karnataka have reported the welcome response to the scheme by the public, as it has brought down considerably the price of dhotis and sarees used by the commonman. Misgivings have also been expressed by all the participating States about the economic viability of the scheme. Although the rate of subsidy of Re. 1/- per sq. metre has been approved against the actual deliveries of dhotis and sarees made during the first six months, it has been contended by the States that at this rate and with the prices of yarn having advanced considerably since the present rate of subsidy was determined, the implementation of the scheme may actually result in a loss.

The impact of the scheme on the general public as well as on the weaver is too early to assess. A comprehensive review of the working of the scheme will be undertaken by the end of December, 1976.

6.51. Asked about the steps being taken for extending the scheme to other varieties of handloom cloth in addition to dhotis and sarees, the Development Commissioner for Handlooms stated:—

> "This is a scheme launched in October, 1976 and the first few months have been taken largely in organising the scheme. At present it is only 1 lakh metres and we are hoping that in the quarter January, March, 1977 it will go upto 2 million metres. Thereafter, we want to step it upto 5, 10 and 15 million metres in the subsequent quarters. It will take one year before we reach 25—30 million metres production per quarter which is our objective."

6.52. The representative of the Department of Textiles stated:—

> "Controlled cloth production in handloom sector is primarily in regard to dhotis and sarees. We started on a quarterly basis. We hope to step it upto 5 or 10 million metres. By last quarter of next year it will be 100 million out of a total of 400 million metres of the total obligation to be transferred to the handloom sector. Unlike the mill sector where the financial burden falls on the mills itself where nobody gives subsidy, here there is this subsidy of one rupee per metre. Even this programme will mean outgo or Rs. 10 crores annually by way of subsidy."

6.53. The Committee note that to make available some popular varieties of cloth required for mass consumption at reasonable prices, Government had introduced controlled cloth scheme in 1964. The Committee have also noted that the production of mills under this scheme has always fallen short of the agreed minimum and even now the weaker sections of society have not been able to get their requirements of controlled cloth. The Committee further note that the Government have partially transferred the production of controlled varieties of cloth especially dhotis and sarees to handloom sector to meet the requirements of vulnerable sections of society and some of the States have already started the production of Janta Dhotis and sarees from October, 1976. The Committee further note that a subsidy of Re. 1 per metre is being given for the production of these controlled varieties of cloth and it is expected that out of a total obligation of 400 million metres to be transferred to the handloom sector, the production will be about 25 to 30 million metres per quarter towards the end of 1977. Although the scheme is still in an experimental stage, there are already complaints of losses being suffered because of rise in yarn prices etc. The Committee feel that Government should have started the scheme in the first instance on a pilot basis and kept the progress of the scheme under strict review, to study the deficiencies in the scheme and take timely remedial measures.

6.54. The Committee would like to point out that the ultimate success of the scheme would depend upon the extent to which it would be possible to supply good quality cloth, acceptable to the people belonging to the vulnerable sections of society, at controlled price. The Committee, therefore, recommend that Government should keep a close watch on the implementation of this scheme and take suitable steps to ensure that the quality of products under the scheme does not deteriorate and adequate quality control is ensured. The Committee further recommend that no increase in the price of controlled variety of cloth should be allowed otherwise it will defeat the very objective of the scheme.

6.55. The Committee would like to point out that the transfer of the controlled cloth obligation to the handloom sector should not result in allowing the textile mills to evade their statutory obligation of producing controlled cloth for the masses at fixed price and the obligation on the mills for compulsory statutory production of a minimum percentage of their produce in the form of controlled cloth should continue. The Committee recommend that the textile mills should not be allowed to get away from their obligation by payment of fine only.

D. Production of Ready-made Garments

6.56. It has been suggested to the Committee that there should be production of ready-made garments in the handloom sector. It has been suggested by a non-official connected with the handloom industry, in the memorandum submitted to the Committee:—

> "Production of ready-made garments under the decentralised sector has got a large scope as the labour needed for the industry will be available at cheaper rates.
>
> Machines such as for button-holes and over-look machines be made available in the decentralised sector. Small units can made use of the same and reduce their costs."

6.57. The representative of an organisation connected with the handloom weavers stated in his evidence before the Committee:—

> "There is an ample scope. If Japanese system of decentralised production and marketing is adopted, India can produce a very great quantity of ready-made garments and can supply to many countries outside and here also to the poor and the common people. We have got a great manpower. The housewives can take to sewing and stitching. At a centralised place the cuttings can be made and this can be distributed at the houses. Then it should be collected and in the central place it should be processed *i.e.*, ironed and brought into a very attractive form and then supplied either at our own shops or even for export purposes. It depends much on the cutting. Sewing is easy......In our State of Andhra Pradesh the ready-made garments activity has been taken. Apex and cooperative societies were promoted and tey were trying to get the garments prepared and then exported and marketed."

6.58. Asked about the scope for the production of ready-made garments in the decentralised sector, the Development Commissioner for handlooms stated:—

> "In many of the States, the handloom Corporations and other units have started ready-made garments making units. This is largely in response to the requirements of exports. At present, what we are seeing is that these people are selling the fabrics to other people who are themselves making garments and making profits....I am glad to say that now most of the States, specially Madras have set up 200 units for garments in Madras—near Madras. NCDC is also setting up in Karnataka and Jaipur two units."

6.59. Asked about the scope for the use of synthetic yarn in the production of cloth in the handloom sector, he replied:

> "Up till now, it must be admitted that very little work has been done in this area. But in the weavers service centres we have now taken up a programme whereby we are going to use the man-made fabric and the weaving process is one of the best ways of doing this thing. What we are doing is to see that stability is maintained. There may be technological difficulty or economic difficulty with the handloom producers....so we have tried to have this fabric processed and this process, I am afraid, might cost a little more. But all these aspects—technical and economic aspects—were gone into. We are taking some measures."

6.60. The Committee note that there is vast scope for marketing of ready-made garments in the country and abroad and with our large manpower, it would be possible to ensure production of ready-made garments in the handloom sector at competitive price to meet the clothing needs of the people. The Committee recommend that Government may evolve a scheme of production of ready-made garments in the handloom sector by utilising the spare time and capacity of house-wives etc., and arrange for the marketing of these ready-made garments through Apex Societies and Handloom Houses. The Committe recommend that the experience gained by Khadi and Village Industries Commission in this regard may be utilised and sale of ready-made garments organised accordingly.

6.61. The Committee note that there is an increasing demand for the fabrics of mixed blends of cotton and synthetic yarn in the country and the use of garments of these mixed blends has spread to remote areas and villages etc. Moreover, in view of the shortage of cotton in the country due to fall in production and high price of cotton in the international market, increased use of synthetic yarn has become inevitable in the production of cloth. With the setting up of Indian Petro-chemicals Ltd., the Committee feel that it should be possible to meet the requiremets of synthetic yarn/raw materials in the country to a great extent. The Committee have no doubt that the difficulties in the production of mixed fabrics would be overcome soon.

CHAPTER VII

RESERVATIONS FOR HANDLOOM INDUSTRY

In order to protect the handloom sector from the more powerful powerloom and mill sector, Government have been following a policy of reservation of certain lines of production in favour of handlooms right from 1950. For some years the small powerloom units having not more than four looms were considered on par with the handlooms and these units were also allowed to produce such reserved items and were exempted from paying any excise duty. The production capacity of powerloom being far more than the handlooms, the exemption gave fortutious advantage to the powerlooms and in course of time the handloom sector began to suffer adversely. The main competition come from production of coloured sarees.

7.2. The lines of production exclusively reserved for the Handloom Sector have since been enlarged with the addition of five more items viz., yarn dyed dhotis, low reed pick cloth, all coloured sarees, dusters and towels in honey comb weave or Erazha Thortu.

7.3. According to the Reservation Orders now in force, the following lines of production are exclusively reserved for the handloom sector: —

(i) Coloured sarees and sarees with border restrictions;

(ii) Yarn dyed dhotis;

(iii) Low reed pick cloth;

(iv) Dusters;

(v) Towels and towelling cloth in honey comb weave and Erazha Thortu;

(vi) Lungi, Sarong and Gamcha;

(vii) Certain types of chaddar, Bed sheets and Bed-covers.

(viii) Table Cloth and napkins;

(ix) Cloth plain weave with warp and weft counts—80s and below; and

(x) Mashru cloth.

7.4. The existing order of reservation has also been brought up-to-date and circulated to the States of strict enforcement. Mills and powerlooms (irrespective of number of powerlooms in a unit) are prohibited from producing any of the items exclusively reserved for handlooms. With a view to give greater protection to the handloom sector, it has been required statutorily that the powerloom cloth should be stamped with the permit number of the powerloom owner to enable identification of powerloom cloth and prevention of such cloth being marketed as handloom cloth.

7.5. However in April, 1977, the basic Handloom Reservation Orders dated 15-4-1950 were rescinded and in its place the following three notifications were issued:—

(i) Notification No. CER/10/77, dated 15-4-1977.

(ii) Notification No. CER/2/77 dated 15-4-1977.

(iii) Notification No. CER/24/77 dated 15-4-1977.

Copies of the notification are given in Appendix (Appendix VI).

7.6. It has been stated by the Department of Textiles in a written note that:—

> "It has been provided that any breach of these orders is punishable under the Essential Commodities Act. Tre provisions of reservation orders are to be enforced by the State Governments to whom necessary powers have been delegated Contravention of orders has, however, been reported from some quarters. Litigation of various nature is entered into by the powerloom sector to delay the process of law. As a result, any punitive action, that could be attempted, become infructuous. As a result of that, the protection provided to the handloom sector has not been very effective. The matter has been considered at various levels and the conclusion arrived at was that the complete and effective enforcement of the reservation orders can be done only after the stay orders issued by the courts have been vacated. Pending vacation, the State Governments should take effective action to curb violations of reservation wherever found feasible. Of late all the State Governments are, however, taking very strict measures for the implementation of the Reservation Order."

7.7. A number of non-officials connected with the handloom industry have in their memorandum submitted to the Committee as well as in their evidence before the Committee have represented regarding the frequent violation of these reservation orders.

7.8. An organisation connected with the marketing of handloom products in the country has stated in his evidence submitted to the Committee:—

> "The Government of India have reserved certain items of production exclusively for the handloom sector such as coloured sarees, honey comb towels, dusters, lungis, certain types of chaddar, bed-sheets, bed-covers, etc. for the purpose of protecting the handloom industry from competition from both powerloom and mill sectors. The reservation orders were not being effectively implemented by the State Governments thereby defeating the very purpose of protecting the handloom industry. As recommended by the Sivaraman Committee, it is essential to enforce the reservation orders effectively in favour of the handloom sector."

7.9. A cooperative society of handloom weavers has stated in the memorandum submitted to the Committee:—

> "The reservations have not been strictly enforced. The powerloom owners being rich, powerful and influential moved the courts at all levels and obtained stay orders from time to time while continuing production of the reserved varieties freely and openly. For this State Governments are also responsible since some Governments connived at and did not take action as they should have done. Even to this day powerlooms in one State are stealthily producing the reserved varieties. Government should take a very strict view of this open defiance of their orders and launch prosecutions against erring owners however big they may be."

7.10. An organisation of handloom and powerloom weavers has stated in the memorandum submitted to the Committee:—

> 'No doubt the Government has reserved certain varieties for the Handloom Sector but unfortunately organised Textile Industry has sabotaged all such Government efforts. We have examples of all such mills' anti-handloom activities, for example, white sarees, bed-sheets white and coloured dhotis, turkish towels etc. and are sold by mills after printing the same."

7.11. The representative of an organisation has submitted in his memorandum submitted to the Committee:—

> "The Government of India long ago recognised the need to protect the handloom against the competition of the textile mills through 'reservation' of certain varieties for production on handlooms only and preventing mills and powerlooms from producing them. But in actual practice these reservations are being openly and freely violated and no penal action was ever taken against such violations. Therefore, it is sufficient if I say that the reservations have so far proved to be mere eyewash and they were never implemented. The Government must take necessary legislative measures at least now to implement them effectively by taking deterrent penal action even against those who sell such contraband goods, besides such mills and powerlooms which produce the varieties reserved for handlooms."

7.12. It has been stated in the background paper for the Handloom Ministers' Conference that:—

> "It has been observed that the enforcement of these orders has not been really effective in certain areas so far. The importance of strictly enforcing the reservation orders cannot be over-emphasised. It may be mentioned that powerlooms are now required to stamp their permit number on their products and hence powerloom cloth and its products are easily identifiable.
>
> One of the proposals made is that the sale of goods arising out of such unauthorised production by the powerloom sector should be prohibited by law. The Law Ministry have advised that it would be bad in law to prohibit the sale of an item whose production itself has been banned. In case sale of such items came into notice, the State Governments have sufficient powers under the Essential Commodities Act to seize the goods and take action both against the sellers and the producers.
>
> There has also been a suggestion for introducing a new Central legislation for reservation. This suggestion is being examined although we have been advised that the drawing up of such legislation should await decision in some cases which are to be heard by the Supreme Court. It is, however, felt that the instrument already available to Government in the form of orders issued under the Essential Commodities Act should be more effectively used. The difficulty today arise not from lack of a suitable legislation but from ineffective enforcement. In this connection, Prime Minister had written to State Chief Ministers

> as far back as 1972 requesting them to ensure the proper enforcement of the Reservation Orders. The most important step now is to check the infringement of the reservation orders at the production stage itself. It should be possible for the field officers in the States to locate the offenders and timely action by them will prevent any large scale infringement of the reservation orders. It is, therefore, urgently necessary that the State Governments should tighten up their machinery for the purpose and take deterrent action to see that the reservation orders are not violated hereafter."

7.13. Asked about the present machinery for enforcing the reservation orders and steps taken for its strict enforcement, the Textile Commissioner stated in his evidence before the Committee:—

> "In a way this reservation is prohibition of powerlooms to produce certain categories of cloth. At present there are ten such items which have been reserved for the handlooms. The power to enforce this order is delegated to the State Government. This is an order under Essential Commodities Act and as you know it is a cognisable offence'.... I would not say that it is being enforced hundred per cent by the State Governments, but it has a very deterrent effect in the sense that large areas have been vacated. For instance, in the mill sector the production of dhotis and sarees has come down. The quota fixed at the time the restriction was introduced was 377 million metres which was their actual production. In 1967 it came down to 244 and in 1969 to 205. In 1971 the production itself came down to 157. The same thing happened in the case of sarees, the production came down in 1970-71."

7.14. Asked why the reservation orders were not being properly implemented, he replied:—

> "We have again addressed the States that this is something which must be done. We have gone serveral times to the highest authority there."

1.15. Asked if cases of violation of reservation orders have come to the notice of Government and if so, in how many cases action was taken, the representatives of the Department of Textiles replied:—

> "We had written to various State Governments and we have received some information from 16 State Governments. Tamil Nadu reported 1570 violations out of which 165

were taken up for prosecution and 59 conviction orders were obtained; Madhya Pradesh reported 746 violations but no prosecution was launched; Andhra Pradesh reported 82 violations but again no prosecutions were launched. Most of the other States have reported that violations were nil."

7.16. Asked about the action taken on the suggestion made in the Handloom Ministers' Conference for introducing new Central legislation regarding reservations, the representative of the Department of Textiles stated:—

> "Examination of the need for framing new legislation was taken up, but *prima facie*, it is not so much the absence of a legislative framework that is the cause. In fact the Essential Commodities Act is fairly effective legislation."

7.17. The Development Commissioner for Handlooms stated:—

> "The Ministry of Law felt that the present Reservation Orders were issued under the Essential Commodities Act which could be used quite effectively and that the real difficulty arises not from the lack of suitable legislation but for want of enforcement in certain cases. They also referred to the fact that there are pending cases in the High Court and if at all there is any need for Central legislation, it could be examined after their disposal. Although we have tried to expedite the hearing of the cases, it has not been done. But I would again submit that the difficulty arises mainly because the enforcement itself is not being done properly."

7.18. Asked if it had come to the notice of Government that often powerloom products from other States were being marketed as handloom products in the State and if so, what steps have been taken to prevent this malpractice, the Textile Commissioner stated:—

> "The basic thing is that enforcement and taking action can be done only at the point where it is produced. Once it is produced it becomes difficult to distinguish who produced it......They did some reserve on this in U.K. and even their Institute of Technology which is supposed to be the last word in this line, has said that once it is produced and processed, proving it was produced this way or that would be very difficult......We will examine it, but proving it in a court of law would be difficult."

7.19. Asked if there was any lacuna in the law due to which it failed detection at the point of production, the Textile Commissioner replied:—

> "We have referred this point to the Law Department also and the Law Department examined and they gave the opinion that the law should be framed only if it can be sustained by a court of law."

7.20. Asked if the difficulties in the enforcement of reservation orders were legal or administrative the Development Commissioner for Handlooms stated in his evidence before the Committee in November, 1977:—

> "Both......The earlier reservation order did not have a terminal date on it. The Textile Commissioner had issued the order by virtue of power vested in him wherein he can give a direction to producers to produce something or not to produce something....A number of cases had been taken up by powerloom owners and by processers against that reservation orders. These cases, I am told, were pending for several years. In all the cases, we had either gone to the local courts or high courts. We had 10-12 writ petitions in the Supreme Court also......The reservation order lacked any force because many people knew that it had been challenged and stay orders had been issued by the courts......From 15th April, 1977, we re-issued the order as advised by the Law Ministry. We gave a terminal date of 31st March, 1982 saying that this order will remain in force to remedy the observations of the Supreme Court.....Then there are a number of other points. Their fundamental rights are interferred. These cases are under dispute and one or two injunctions have been issued in that respect.....In respect of Tamil Nadu, there has been a basic challenge to the Textile Commissioner's power to issue that order itself saying that the delegated power does not vest with him."

7.21. The Development Commissioner for Handloom further stated:—

> "The second difficulty is that enforcement power has been delegated to the State Governments. We had to delegate it to the State Governments because of the vastness of the country and we did not know where the powerloom would come up. We did not have that much of staff..... The enforcement by the State Governments against the looms for functioning without the Textile Commissioner's

> permit or producing the variety of cloth which is banned to the powerloom, has been—I may be pardoned for saying so—very slackened in most of the cases with the result that there has been some genuine problems. The enforcement of this order has not taken place to the extent that is required."

7.22. The Textile Commissioner stated in his evidence before the Committee in November, 1977:—

> "It is mainly the enforcement part of it which makes things more difficult. The difficulty is the decentralised nature of powerlooms. They are no doubt concentrated in certain centres, but they are all installed in houses, in the backyards or rooms. Therefore, it is very difficult to detect who is manufactutring what......we have now taken up with our Ministry that the Textile Commissioner or any other agency should be vested with certain powers where summary punishment can be given....'summary punishment' means after a certain process. This is now under the consideration of the Ministry of Commerce and the Ministry of Law. As it is, the very purpose is defeated. Suppose today a violation is detected, it may take two or three years for the case to be finalised."

7.23. The Textile Commissioner further stated:—

> "I have figures which show that Tamil Nadu secured 296 convictions in the last few years. Maybe that is not enough. There are other States where practically no action has been taken against the erring firms.....When this is the position, what will be the use of first State going ahead and enforcing it very strictly, while others do not enforce it. I must admit that the present position is highly unsatisfactory in this respect. We may say that the administration as a whole is being asked to implement something which on the face of it has become extremely difficult to operate on the legal, enforcement and economic side. My own suggestions would be that we need to maintain a legislation perhaps on the Statute book, but I feel that it will have to be much better considered legislation than it is today. We are now having ten items. Could we not move to a situation where we may demarcate area of production for the powerlooms also? Hitherto, we have said that something is reserved for the handlooms and shall not be produced by powerloom. Drawing upon the experi-

> ence of some States like Maharashtra who have been working efficiently, the question is whether they cannot be asked to produce for example, cloth of plain weave, certain width only, cloth above certain counts and leave it at that."

7.24. Asked if there was any difficulty in requiring the powerloom owners to stamp the permit number on each metre of cloth produced by the powerloom units, the Textile Commissioner added in the evidence before the Committee:—

> "According to the existing orders, the powerloom units are required to stamp permit number allotted to them on the grey cloth they produced. They are stamped on the face plate of the cloth, not on every metre. These units have very small place. There may be some practical difficulties in stamping every metre of the cloth..... The mills attach a small gadget at the folding stage. There it is done mechanically; here it has to be done manually. There hundreds of metre are stamped in five minutes, here it will take a very long time and he must have a space to spread the cloth and stamp every metre."

7.25. The Committee note that in order to protect the handloom industry from the more powerful powerloom and mill sector, Government have been following a policy of reservation of certain items of production in favour of handlooms and that at present production of ten items is exclusively reserved for the handloom sector only. The Committee are, however, distressed to note that these reservation orders are not being enforced effectively and that there are common complaints of large scale violations of these Reservation Orders by the Powerloom sector. The Committee feel that by allowing the violations to go unpunished, the very purpose of issuing these Reservation Orders has been defeated. Even the representatives of the Ministry have admitted that the enforcement of these Orders has not been really effective in certain areas so far. The Committee feel that this is very distressing state of affairs and needs to be remedied without loss of time.

7.26. The Committee note that the enforcement of these Reservation Orders has been left to the State authorities. Although the State Governments have sufficient powers under the Essential Commodities Act to seize the goods and take action both against the sellers and the producers, there have been very few cases where

such violations have been detected and deterrent action taken against the offenders. The Committee are surprised to note that although in some States hundreds of cases of violation of these Reservation Orders were detected. Prosecution was not launched even in a single case. The Committee cannot but reach the conclusion that the State authorities have not shown the necessary seriousness about enforcement of these Reservation Orders with the result that offenders have feeling that they can indulge in malpractices with impunity, thus harming the interest of handloom industry. The Committee recommend that the Central Government may immediately impress upon the State Governments and all other authorities concerned the imperative necessity and desirability of strict enforcement of the Reservation Orders, and taking deterrent action against all those found guilty of indulging in such violations.

7.27. The Committee feel that the field officers of the Development Commissioner for Handlooms should take an active part in helping the State authorities to detect violation of Handloom Reservation Orders. In this context, the Committee need hardly point out that the field organisation of Development Commissioner for Handlooms which is bound to be strengthened by transfer of staff from the Textile Commissioner, who was hitherto performing these duties, should take this up as a challenging and essential part of their duties and do their best to see that the Reservation Orders are observed in letter and spirit and those who flagarantly violate them are brought to book with the help of the State authorities.

7.28. The Committee have elsewhere in the report drawn specific attention to the findings of the Committee appointed by Andhra Pradesh Legislature which has highlighted the fraudulent practice of passing of powerloom cloth manufactured in other States as handloom cloth in order to avail of the subsidy. This perhaps is representative of the malpractice which is being indulged in by other States. The Committee are not able to accept the reply of the Department of Textiles that it is not possible to check such violations as according to them, once a cloth is produced it becomes very difficult to determine whether the cloth is produced on handloom or powerloom.

7.29. The Committee were informed during evidence that apart from administrative difficulties, there were legal difficulties in the enforcement of the reservation orders before April, 1977. Those orders lacked force as people had challenged them in courts and obtained stay orders and the cases were pending in courts for several years. The Committee note that the Ministry have issued new reservation orders in April, 1977, removing some of the legal lacunae pointed out earlier in the orders. But certain other aspects of these orders, like their effect on the Fundamental Rights and the competence of Textile Commissioner to issue the orders, are still under dispute in courts. The Textile Commissioner, in his evidence before the Committee, expressed the view that " the administration as a whole is being asked to implement something which on the face of it has become extremely difficult to operate on the legal, enforcement and economic side." He suggested that "we do need to maintain a legislation perhaps on the statute book but it will have to be much better considered legislation than it is today." The Committee would like that Government should make a comprehensive review of the entire position, legal and administrative, relating to the issue and enforcement of reservation orders and take necessary measures, including enactment of legislation, if necessary, to remove any doubts about the legality of these orders so as to make them effective and binding and thus help the administrative agencies to enforce them without any difficulty.

7.30. The Committee feel that the suggestion made by the Textile Commissioner before the Committee that, apart from reserving certain items for handloom sector, specific items of production should also be earmarked for powerloom sector, deserves a fair trial as it may thereby not be tempted to encroach upon the areas of production reserved for handloom.

7.31. The Committee also note that the question of investing the Textile Commissioner or any other agency with powers to award summary punishment to powerloom owners for violation of the reservation orders is under the consideration of the Ministry of Commerce and Ministry of Law. The Committee would like this matter to be finalised expeditiously and adequate powers vested in the Textile Commissioner or any other agency so as to enable him to enforce these reservation orders effectively and without any difficulty. .. ..

7.32. The Committee note that one of the measures taken by the Government for enforcement of Reservation Order is that powerloom owners are required to stamp their permit number on the cloth produced by them. Apart from the fact that there are still a very large number of unauthorised powerlooms which need to be brought within some regulatory network, there is imperative necessity of ensuring that the powerloom owners do in practice observe this order by invariably stamping their permit numbers on all varieties of cloth produced by them, particularly varieties which can be mistaken for those reserved for production on handlooms. Strict and effective check should be exercised in that behalf by the field staff of the Textile Commissioner and the State authorities. The Committee would also urge that a continuous watch should be kept in the matter so as to take concerted and concrete measures to see that powerloom cloth is not sold as handloom cloth not only to the detriment of the interests of handloom weavers but also in getting inadmissible subsidy at public expense and defeating the very objective of reserving certain varieties for the handloom sector.

CHAPTER VIII

EXPORTS

A. Present position

Handloom products have emerged as a major foreign exchange earner in recent years. From a total export of Rs. 11.43 crores in 1966-67 the export of handloom products increased to Rs. 144.14 crores in 1975-76. The distinctive patterns and colour combinations produced on handloom have found increasing consumer acceptance in the affluent countries. A stage has been reached when handloom goods have come to be an item of choice amongst consumers in many parts of the world. The special position of handloom products has been recognised in international arrangements governing textile trade and they are outside quantitative restrictions. In some countries, they enjoy tariff preference. Scope, therefore, exist for increasing our exports from this sector. The bulk of exports from the handloom sector today consists of garments made from handloom fabrics, which accounts for over half the total export earnings from ready-made garments, handloom garments account for about two-third.

8.2. A number of non-officials connected with the handloom industry have pointed out the constraints in promoting exports of handloom products in the country and pleaded for their removal for promoting the exports of handloom products. An organisation connected with the promotion of handloom products in the country has stated in the memorandum submitted to the Committee:—

> "Various tariff concessions have been granted by the developed countries under Kennedy Round and Generalised system of Preferences to the exports of developing countries. In a few countries, the tariff concessions are admissible for a limited quota only. For instance EEC countries have been admitting cotton handloom fabrics and silk handloom fabrics free of duty upto a limit of 2 million dollars each. This quota is very insignificant when compared to the actual exports of cotton handloom fabrics. This is particularly so, after addition of three more members of EEC *viz.*, U.K., Irish Republic and Demark. We have been stressing that the duty free quota for cotton handloom fabrics and silk handloom fabrics should be raised to at least 5 million dollars per unit of account. This plea has not yet been accepted.

Certain tariff concession extended by the EEC countries under the GSP concession has not benefited the handloom industry to any appreciable extent. Here again, we have been stressing that the handloom madeup items should be given special treatment and a separate duty free quota given for such items. Further in the EEC, certain types of non-tariff restrictions are hinderances to our exports. The barriers most frequently used in these countries are internal tax, variable levies and discretionary system of valuation for duty purposes. The internal taxes in EEC countries is known as Value Added Tax (VAT).

In U.S.A. under the Textile Trade Agreement, import of garments from India is subjected to quota regulations, although handloom made-up items are outside the quota purview, some doubts seems to have been entertained recently by the U.S. custom although exports of such made-up items were accompanied by necessary exemption certificate issued by Textile Committee......In Australia there are certain quantitative restrictions on imports of ladies blouses, dress and gents apparels. Australian Government had also imposed import duty of 33 per cent on handicrafts and handloom items unless they satisfied the test of being "artistic or decorative."...... There are no clear-cut definition of what an artistic or decorative item should be. Handlooms are mainly known for the multitude of colour combinations and intricate designs. It would, therefore, be necessary to treat any handloom products using coloured yarn as artistic and decorative.

Under GSP, EEC countries, Austria, Switzerland and Japan allow import of textile items from developing countries free of duty upto certain quantity. There is no separate duty-free concessions under the GSP for handloom items. This concession is available to all textile items from all developing countries, based on a formula, GSP quota is usually exhausted during the first two or three months of the quota year and handlooms have not benefited to any appreciable extent under the GSP concession. We have requested the Ministry of Commerce to take up the question of separate concessions for Handlooms with the donor countries so that handloom export trade could really benefit from the GSP concessions.

The main raw material needed for the handloom is cotton yarn for cotton handlooms and raw silk for silk handlooms. In the case of cotton yarn, prices have been most unsteady on account of unsteady cotton price every year. The result has been that most of the exporters could not commit a price to the foreign buyers and stick to the same during a given time. Adequate arrangements for supply of cotton yarn at a steady price is the paramount need. In the case of silk yarn the position is more or less the same as is applicable to cotton........The most of dyes and chemicals both indigenous as well as imported, have gone up quite considerably. Some of the indigenous dyes required by the industry are in short supply. Handloom items are popular in foreign countries because of their exotic colour combination. It is, therefore, essential that the dyes and chemicals needed by the Handloom Industry are available freely and at fair price. Considerable volume of exports take place by air. It would be necessary to introduce specified reduced commodity rates for handloom items exported by Air. At present, finished leather exports are getting such a freight subsidy.

In the absence of blanket foreign exchange, the Council had to send up specific proposals each time for approval and issue of sanction. This is a time consuming process and it so happens that in a number of important matters, where the Council could have tackled the problems by sending an official or a team to the concerned country is not able to do so in time. It is necessary that a blanket foreign exchange is immediately placed at the disposal of the council."

8.3. The Chairman of another organisation connected with the exports of handloom products has stated in the memorandum submitted to the Committee:—

"Handloom exports are showing a very encouraging rise, but there is no room for complacency. There is a sudden rise in the number of handloom exporters and the entry in the field of people who are unaware of the trade and are prepared to undercut, supply goods inferior in quality and earn a bad name abroad is on the increase. Immediate steps should be taken to see that the smaller exporters route their enquiries through large export houses."

8.4. The representative of an organisation connected with the marketing of handloom products, has stated in his memorandum submitted to the Committee:—

> "The incentive by way of cash assistance is being provided to the handloom products for promoting exports. The announcement of incentives should be on a long-term basis and also it should be announced well before the period for which announcement has already been made expires so that the exporters know what incentives they are going to get well in advance which will enable them to quote the prices. If the incentives are announced well in advance, exporters will be in a position to come in contact with buyers abroad for advance booking. With the expiry of each order, producers as well as exporters are to wait for the quantum of incentives which vary from year to year....The cooperative sector should be allowed an additional grant of 5 per cent on the value of exports in order to meet their over-head such as audit expenses, better wages to employees, expenses, to be incurred for promotional activities such as foreign tours, product development etc. compared to the private sector."

8.5. Asked to state the steps taken and incentives given for promoting the export of handloom products, the Department of Textiles have stated in a written note submitted to the Committee:—

> "Following steps have been taken to promote exports of handloom products:—
>
> (1) The Handloom Export Promotion Council which is the main organisation entrusted with the task of promoting handloom exports, is being assisted by the Government through Grants-in-aid from the Marketing Development Fund for its export activities like spending of sales-*cum*-study teams abroad, participation in Trade Fairs and Exhibitions abroad both under the auspices of Foreign organisations as well as Indian-opening of offices abroad publicity through bringing out special publications as well as inserting advertisements in journals abroad etc. etc.
>
> (2) In the Import Trade Control Policy, Handloom exporters are eligible for Import Replenishment Licences. To assist exporters, in 1975-76, a limited dispensation has been made under which they can nominate in favour of processors also, who may be treated as manufacturers

of Handloom Products, provided they are recognised by the Textile Commissioner/State Governments/All India Handloom Board.

(3) Specific standards for export of certain varieties like crepe cloth have been laid down by the Textile Commissioner with a view to prevent sub-standard crepe cloth being exported.

(4) A chain of regional offices of the Textile Commissioner and the Textile Committee in important textile production and export centres are entrusted with the task of inspection and certification of export cargo keeping in view the requirements of destination of consignment. A regional office of the Textile Committee has been opened at Cannanore (Kerala) to provide for the inspection of export cargo of cotton cloth (including Handloom) from that area. Cannanore, it may be stated is an important Handloom Centre.

(5) Every opportunity is utilised to impress upon numerous developed countries in West Europe besides U.S.A., Canada, Australia, Japan etc. to provide and further extend tariff concessions under their Generalised Scheme of Preferences, in view of the highly labour intensive nature of Handloom Industry.

(6) Incentives by way of cash assistance at specified rates are provided to exporters on the basis of f.o.b. value.

(7) Setting up of export oriented projects in selected areas, with the coverage of 1000 looms is planned as part of programme of Handloom Development. These projects are fully financed by the Central Government.

8.6. The High Powered Study Team on the problems of Handloom Industry (Sivaraman Study Team) in their report submitted in July, 1974 had suggested the following important measures for promoting the export of handloom products:—

1. Suitable equipment has to be developed and supplied to the handlooms catering to the export sector to ensure that the following main defects noticed in handloom products exported are effectively removed:—

(i) Absence of required threads per inch prescribed in the purchase order.

(ii) Colour bars due to uneven picking.

(iii) Colour variations arising from uneven dyeing.

(iv) Lack of uniformity in widths of fabrics.

2. The Institute of Handloom Technology should take up on immediate basis research work on postloom weaving process including pre-shrinking and finishing by pressing and suitable drying.

9. It is necessary to develop under an Export Oriented Pilot Production Scheme, 50 production units in important handloom centres in the country which are now contributing to the export market and which have highly qualified handloom weavers. Each Centre should develop within a period of 3 to 4 years, 1000 handlooms which can work according to specific orders in the export market. Such unints will have to be sponsored by export houses. The HHEC and the Fabrics Society may also sponsor some units in order to maintain their supremacy in the handloom export market and State Handloom Marketing Organisation can also take up such units. For every handloom under the project, investment for modernising the equipment should come from the Centre. Pre-loom processing and post-weaving and finishing facilities would have also to be provided so that the produce is of top quality.

4. Design, colour and fabric quality changes are continuously taking place in the consuming markets in the world and continuous research support will be necessary for export promotion. It is important that field scale trials are held of the laboratory findings particularly in certain areas like preparatory processing, weaving, processing and diversification of production. A suitable programme for this purpose should be prepared by the All India Handloom Board. It should be possible to try out laboratory results on field scale in about, suitably scattered, 500 looms. It would be easy to locate these looms in the Export Units.

8.7. It has been stated in the Background Papers for Handloom Ministers Conference held in February, 1976 that:—

"The bulk of exports from the handloom sector today consists of garments made from handloom fabrics, which accounts for over half the total export earning from this sector. Similarly, out of the total export earnings from readymade garments handloom garments account for about two-thirds. While the exports of garments are going up very rapidly, the fabric production base is not expanding in keeping with this trend. Also the exports of fabrics and made-ups have remained largely stagnant.

The export strategy has to remedy this situation and enable the country to realise the full potential available from this sector. At present, the constraints faced by the exporters fall broadly under two categories:—

(i) Inadequate supply of specific export varieties according to delivery schedule and (ii) maintenance of quality standards. These will have to be overcome within the shortest possible time. It is in this perspective that an export strategy will have to be evolved. Export efforts demand continuous supervision at the stage of production, and proper study of overseas market trends, procurement of quality goods according to demand and other facilities. Some efforts are also required to involve the cooperative sector in greater measure in the export effort. Today, it is only the All India Handloom Fabrics Marketing Cooperative Society whose exports are of any significance. Even this accounts for only Rs. 3 crores against the total exports of over Rs. 100 crores per year.

For a successful programme of exports, constant flow-back of market intelligence and setting up of a strong production base is essential. To illustrate the present imbalance between demand and supply two instances could be given. Handloom crepe goods and ready-made garments are in high demand now. Supply from the handloom sector is too meagre to satisfy the demand with the result that powerlooms have recently stepped in to exploit the situation, and exporters are obliged to look to powerloom crepe instead of handloom crepe. It is essential to take very urgent steps to expand the production base for crepe goods so that the lost ground could be recovered from the powerloom sector. Preliminary studies have revealed that crepe goods could be produced in adequate quantities in Uttar Pradesh (Meerut), Haryana (Panipat) and West Bengal (Calcutta). Andhra Pradesh and Tamil Nadu have also evinced their interest in this line of production. Coordinated efforts are necessary immediately as we have to take full advantage of the present export boom in garments. Similar is the case with the production of Madras checks (60sx40s). There is great demand for this fabrics for garment making, but the ex-

> isting production base is not sufficiently wide to meet the demand."

8.8. Asked about the reasons for fixing the targets of exports of handloom products at Rs. 168 crores for 1976-77 when the estimated exports for 1975-76 were of the order of Rs. 185 crores, the Development Commissioner for Handlooms stated in his evidence before the Committee:—

> "The estimated exports of 1975-76 is Rs. 185 crores. The earlier figures that has been agreed to as a target was Rs. 168 crores.....The target of Rs. 168 crores was suggested as compared to the high figure which was actually achieved in the previous year, for two reasons. One is the slackness in demand for handloom in U.S.A. and Germany which are two of our major markets for handloom garments. In fact, U.S.A. market has not still revived and the German market has shown some signs of recovery. Germents account for two-thirds of the handloom export."

8.9. Asked if any scientific study of new foreign markets for handloom products has been made, the representative of the Department of Textiles stated:—

> "Some years ago, exports of handlooms were mostly confined to handloom cloth exports to what you rightly said the traditional markets which were mostly the African countries where Madras handkerchiefs were popular and other places where people of Indian origin lived. The exports were mainly in terms of handkerchiefs but about 8-9 years ago we started diversifying these markets to see whether the handloom fabrics could be sold because there is a demand for new look in the western market."

8.10. Asked about the present mechanism for the study of the likely demand for handloom products in foreign countries, the representative of the Department of Textiles stated:—

> "Mainly our method of operation in these countries like France or U.S.A. is to approach the designer because in this particular market the designer plays a great role in seeing that the product is acceptable for the fashion market.......As a matter of fact, we are the first one to start collaboration with a very famous designer, Pierre Cardin, a very well-know firm. As a matter of fact, the main credit for introducing handloom into the western world goes to the efforts of Pierre Cardin."

8.11. Asked what steps were being taken to ensure that there was no slump in the demand of handloom products in the U.S. market, he replied: —

> "As you know fashion changes from time to time. There is a whole tendency to go in for something else. Previously it was bleeding Madras, now it is making Madras checks. Tomorrow it may be something else. We have to change the traditional crepe 60:40, Madras stripes and checks and we are doing it. There is what is called the reverse blend and instead of 65 polyster and 35 cotton it can be the other way round."

8.12. Asked if there were any complaints about the quality of handloom products exported to other countries, the representative of the Department of Textiles stated: —

> "There have been some complaints now and then. That is on quality of dyeing, uneveness of dyeing. We must develop the technological processes so that there could be no complaints."

8.13. Asked about the assistance and guidance provided by the Handlooms and Handicrafts Export Corporation in providing market intelligence about foreign requirements and increasing exports and for stepping up the production of woollen carpets to tap the markets for these carpets in foreign countries, the representative of the Department of Textiles stated: —

> "There are certain qualities which are having export possibilities. There are crepes and other varieties. There are many individual weavers also. We have these Weavers Service Centres. There are certain blends which are developed and they get advice on colour and dyeing and all that. On the garment side we could work according to the requirements of designers in France, Italy and other countries. We tell them that they could include handloom fabrics in their garment fashions. Regarding carpet-weaving, we have our depot in Hamburg, Germany. We have 400 year old tradition in this respect. In Iran, the production has been going down over a period of time. We have taken several steps in this regard, to improve quality, to improve dyeing and when we found that washing is not satisfactory we brought washers from Iran. We have famous Centres like Mirzapur and Bhadoi. Our design is mostly Indo-Persian group of design. It is old traditional pattern of designing mostly of the Mughal period. There

> is certain shortage of skilled labour and All India Handicrafts Board have granted Rs. 8.5 crores for training 50,000 workmen. They pay Rs. 60 per month for a boy who is getting trained.. .We hope that with this impetus the problem of production will be solved."

8.14. Asked if there were complaints of delay in disbursal of incentives, the Development Commissioner for Handlooms stated:—

> "The arrangements are being streamlined. Specific steps were taken in the Handloom Export Promotion Council's Office. Formerly there used to be delays of three to six months in some cases. Now the procedure has been simplified. The exporter has to submit to us details only in one form and therefore now the disposal has been very much speeded up. It does not take longer than thirty days from the date of application to the date of payment. There may be one or two exceptions. Normally this is the time that is taken."

8.15. Asked about the steps taken by Government to ensure strict quality control and inspection of handloom products before export of handloom products, the Textile Commissioner stated: —

> "Out of about Rs. 186 crores worth of goods exported by Government last year, the two corporations, that is, the Handloom Development Corporation and the Fabric Society will account for about Rs. 12 crores. So it has been possible to develop this market abroad by their links and connections .... In the field of exports, the question that comes in is connection between the importer and the exporter. The exporters are getting the designs. The position by and large is that this has been done by the export houses. The fabricators of garments have developed in the private sector a large market worth Rs. 180 crores by way of sale which goes upto Rs. 225 crores during the current year ...... This will show that some undesirable people will take advantage of it. It is for this reason that we made it compulsory that if they want State's assistance for their exports, they will have to subject themselves to certain types of quality test and the pre-shipment inspection by the Textile Committee. We have gone further ahead. Last year we said that they must declare in the application form whether a particular purchaser has given some specific requirements of the type of products which he wants. Instead of just seeing whether it is fast coloured or not, we would like to know

> whether he has declared in his application form his specific requirements and the type of garments he is asking for. Suppose he asks for a type of colour. If that is not there, the other type of colour will not be accepted .... We have laid down certain conditions. So we are moving gradually. As it is things are going on nicely and the export is increasing. This is an indication that it is going on nicely."

8.16. Asked about the steps taken by Government of getting duty free quota for export of handloom products increased under the GSP (Generalised Scheme of Preference), the Development Commissioner for Handloom stated:—

> "The G.S.P. Scheme is on a global basis. Any country is entitled to compete for it. In the case of handloom products, we have got a differential advantage because not many countries are exporting such a sizeable handloom products as we are. We have made a specific demand that the duty free quota should be raised from 2 million dollars to 5 million dollars. I think we have made this demand at least six times in different meetings of the EEC. But so far, they have not been able to agree to our request. This is something for which we have to give some pressure on them."

8.17. The Committee note that handloom products have emerged as a major foreign exchange earner in recent years and the earnings from the export of handloom products have increased from Rs. 11.43 crores in 1967-68 to Rs. 188.5 crores in 1975-76. The Committee consider that the experience of the past years convincingly establish that the country has a potential for achieving the rising level of exports of handloom products in the years to come, thereby earning the much needed foreign exchange as handloom products have found increasing consumer acceptance in the affluent countries. The Committee, therefore, urge that Government should evolve a comprehensive export strategy in respect of handloom products in order to ensure that not only the present quantum of exports continues, but there is also continuous increase in the export and foreign exchange earnings from the handloom products.

8.18. While the Committee are glad that the handlooms have found acceptance in the affluent countries, the Committee would like to remind the authorities that the existing demand is no guarantee that in the years to come it will continue at this level. In the

sophisticated markets of foreign countries there has to be continuous study by knowledgeable and sensitive persons well versed in the field about the tastes and trends of fashion and consumer requirements and feed back to the handloom sector at home so that newer designs and innovations could be incorporated in the manufacturing programme to meet the demand and widen its acceptance by satisfying quality and design.

8.19. The Committee have no doubt that if earnest efforts are made to study the consumer requirements and marketing trends in USA and Germany, it should be possible not only to check the fall in exports of handlooms but to increase and improve upon them by increasing their consumer acceptance by quality and attractiveness of designs. It is, therefore, of the utmost importance that Government should devise in consultation with the handloom sector suitable mechanism for study and feedback of the information of the market fashion and trends, in order to regulate and modify production accordingly.

8.20. The Committee note that at present there is no satisfactory arrangement for the continuous survey of market demand and its flow-back to production units in the country. The Committee, therefore, recommend that Government should immediately introduce a mechanism for the study of consumer demands and changes in fashions of foreign consumers and its flow-back to the domestic producers on a continuous basis. The Committee recommend that our Trade Representatives in foreign countries and the staff of Commercial Attaches may be entrusted with the responsibility of keeping the authorities in India informed of all such developments in foreign markets and the flow-back of such information to the domestic producers. The Committee need hardly emphasise that this mechanism for flow-back of market intelligence should function in such a way that there is no time-lag in sending the information as in view of the frequent changes in fashions etc., any delay in flow-back of information, will prove detrimental to the exports of handloom products.

8.21. The Committee regret to note that in many cases the export of handloom products suffer because of the absence of a strong production base in the country with the result that the domestic producers are not able to meet the demands of foreign countries. Although there is considerable demand for ready-made garments in foreign countries, there is not enough production of the fabrics in the country. This clearly underlines the need to strengthen the production base of handloom products in the country particularly those which are required for meeting the export requirements. Now that the Government have launched a number of Export Production Centres in the country, the Committee feel that there should be no difficulty in running these production units in such a way that it would be possible to adjust the production in accordance with the changes in foreign demand and the foreign demand could be met in full without loss of time. The Committee cannot too strongly stress the need for taking speedy action in this regard as timely and well coordinated action is the essence of the matter.

8.22. The Committee note that the main difficulties experienced by the production units engaged in the production of export varieties are the irregular supply of yarn and dyes and chemicals and frequent changes in their prices with the result that the producers are not able to quote stable prices for a period of time and are sometimes not able to supply goods for export in time earning a bad name for our exports. The Committee have, in an earlier Chapter, already emphasised the need for ensuring regular and timely supply of yarn and dyes and chemicals at fixed prices for the handloom industry. The Committee would like to point out that the need for these measures is still more necessary in the case of such units which are engaged in the production of exportable products. The Committee, therefore, recommend that Government should immediately ensure the supply of yarn and dyes and chemicals of requisite quality at fixed prices to such units so that the export of handloom products do not suffer.

8.23. The Committee feel that as there is considerable increase in the demand for handloom products in the foreign markets, it is very necessary that suitable steps are taken to ensure that the quality of handloom products do not deteriorate and that only products of requisite quality and specifications are exported so that the reputation and good name of Indian handloom products in foreign countries does not suffer. The Committee note that some unscrupulous elements, taking advantage of the considerable increase in the export of handloom products, have entered the export market and there are already some complaints regarding the quality of handloom products exported and the powerloom cloth being passed on an handloom cloth. The Committee need hardly stress that a country can sustain her traditional markets and develop new markets only if it ensures that her exports are of dependable and proven quality and that the quality of goods exported conforms to the quality contracted for. The Committee suggest that Government should take all possible measures to generate deep-rooted quality consciousness in Indian exporters, who should be made to realise that only on the basis of quality of handloom exports, India would be able to sustain her traditional markets and develop new markets. The Committee would stress that quality control should not only apply to finished products but quality consciousness should be inculcated at all stages of production starting from raw-materials to designing, production and finish of products. This underlines the need for proper quality control and inspection. The Committee note that already such an inspection is compulsory in the case of all such exporters who want to get cash assistance for their exports.

8.24. The Committee would like Government to consult the handloom sector and devise an independent machinery for exercising effective quality check on all exports from handloom sector. In case where a serious complaint is received from foreign importer about the quality of handlooms exported, Government should have the matter thoroughly investigated and take deterrent action where called for against the party. The Government may also consider whether in the case of those against whom persistent complaints are received, it may either be made obligatory for them to have their goods inspected by Government organisation before exports or they may be debarred from making any exports. The Committee need hardly point out that the arrangement would have to be such that the same are prompt and fair so as to win the confidence both of the exporters and the importers.

8.25. The Committee also stress the need for high quality and attractive packing of exported goods so that such goods can catch the appreciative attention of the consumers abroad.

8.26. The Committee further note that there is great scope for increasing the export of woollen carpets in foreign countries. As the production of woollen carpets in Iran has been going down for many years, there is considerable scope for India to step up the export of woollen carpets. The Committee note that Government have taken certain measures like training of workmen, effecting improvement in quality and dyeing etc. to encourage the export of Indian woollen carpets to foreign countries. The Committee stress that Government should take concerted measures to take maximum advantage of the present situation and promote the export of Indian carpets to foreign countries.

8.27. Apart from production of woollen carpets, India has developed expertise and the skill to manufacture carpets of most

intricate design and exotic quality which can fetch high unit value. The Committee feel that with the fading out of Iran as a supplier of these quality carpets India with its traditional expertise, skill and manpower can benefit from the opportunity by expanding the supply of these carpets. The Committee would like Government to have the matter studied in depth with the help of exporters and carpet manufacturers so as to devise package of measures to encourage export of high quality carpets. The Committee need hardly point out that time is the essence of the matter and, threfore, it is imperative that the study is completed within a short period and that follow up action is also initiated without loss of time. The Committee need hardly emphasise that quality control should be built into the export promotion measures so as to make sure that in stepping up of exports, quality is in no way, diluted so as to win the confidence of the foreign markets.

8.28. The Committee would like to be informed within six months of the action taken in pursuance of this recommendation and the progress in export of high value carpets.

B. Working of the Handloom Export Promotion Council

8.29. The Handloom Export Promotion Council was set up in May, 1965 with headquarters at Madras. The total membership of this Council is 2464 distributed in different States. The maximum is 760 from Maharashtra followed by 632 from Delhi and 505 from Tamil Nadu.

8.28. The affairs of the Council are managed by a Committee of Administration. The Committee consists of 17 elected members, 4 ex-officio members and 4 nominated by the Government of India. The Chairman of the Council at present is the Dvelopment Commissioner for Handlooms, Ministry of Commerce, New Delhi. The Committee has also appointed separate sub-Committee to deal with matters relating to Finance, foreign publicity, staff, inspection regulations, complaints, membership. The sub-Committees meet as and when necessary.

FUNCTIONS:

The main functions of the Council are promotional in character. The important functions of the Council are as follows:—

1. To support, protect, maintain, increase and promote the export of Indian handloom fabrics by such methods as

may be necessary or expedient, and without prejudice to the generality of the premises by

(a) undertaking market studies in individual foreign countries.

(b) sending out trade missions to foreign countries.

(c) conducting propaganda regularly and continuously so as to bring to the notice of the dealers and the public in foreign countries the advantage of trade and commerce with India in handloom fabrics.

(d) Propagating information useful to the manufacturers and traders in Indian handloom fabrics by lectures, discussions, books, correspondence or otherwise.

(e) laying down standards of quality and packing in respect of Indian handloom fabrics intended for export.

(f) setting up an organisation or maintaining liaision with an organisation which may be set up for the inspection of Indian handloom fabrics intended for export.

(g) inquiring and investigating into complaints received from foreign importers or Indian exporters in respect of the quality, description or other particulars of handloom fabrics exported from India or the non-performance or non-observance of the terms and conditions of contract relating to such exports and other connected measures and advising the manufacturer or exporter of Indian handloom fabrics regarding the methods to be adopted to obviate complaints of similar nature in future.

(h) communicating with Chambers of Commerce and other mercantile and public bodies throughout India and abroad and promoting measures for the protection and advancement of the export of Indian Handloom fabrics.

2. To advise or represent to Government, local authorities and public bodies on the policies adopted by them in relation to their effect on industry or commerce and other measures including direct and indirect taxation, in so far as such policies or measures have a bearing directly or otherwise on the export of Indian handloom fabrics.

ACTIVITIES/ACHIEVEMENTS

The main activities of the Council relate to promotional and other matters undertaken in the interest of exports. The main promotional measures taken during the last three years were:—

1. The following delegations/Sales-cum-Study Teams were sent:—

(a) Three Man Sales-cum-Study Team to West African countries of Nigeria, Dahmey, Ivory Coast, Siore Leone Manrovia in September—October, 1975.

(b) Four Man Study Team to Aden Saudi Arabia, Libya, Behrain, Dubai and Sultanate of Oman in February, 1976.

(c) A one Man Study Team to Sri Lanka was sent in March, 1976.

PARTICIPATION IN EXHIBITIONS

The Council participated in the following exhibitions during 1973-74:—

(a) 10th Tokyo International Trade Fair, Tokyo (Japan) during April—May, 1973.

(b) Cologne Men's Fashion Week-Cologne (West Germany) during August, 1973.

(c) Texpo—73 Scandinavian Fair for furnishing at Copenhagen, during September, 1973

1974-75

(a) Zambia International Trade Fair at Ndola during June—July, 1974.

(b) Cologne Men's Fashion Week at Cologne (West Germany) during August, 1974.

(c) Texpo Furnishing Fair at Copenhagen during August—September, 1974.

1975-76

(a) Faire-de-Paris, France during April-May, 1975.

(b) Cologne Men's Fashion Week at Cologne (West Germany) during August, 1975.

(c) The Indian Textiles and Accessories Fair in Montreal (North America) during February, 1976.

A number of trade delegations from foreign countries also visited during those years.

MATTERS RELATING TO INSPECTION

Exports to several countries like European Common Market, Nordic Countries, U.S.A, Japan, Australia etc., have to be inspected for purposes of issue of Certificate of Origin or for G.S.P. benefits. Minimum specifications have been introduced for Crepe fabrics which were used for making garments. The Inspections with reference to minimum specifications was linked with the scheme of cash assistance.

CASH ASSISTANCE SCHEME

The Council continues to recommend cash assistance to all cotton handloom exports.

The Secretary of the Council is a member of the ready-made garments panel constituted by the texprocil and attends meetings of the panel, whenever convened.

PROBLEMS RELATING TO SHIPPING FREIGHT ETC.

Exports of garments by Air.

The Council had taken up with the Ministry of Commerce as well as Air India, the question of special arrangements for exports of garments by Air. As a result several special cargo flights were arranged by Air India particularly the year 1975-76 which were largely responsible for the huge increase in exports of garments to Rs. 117 crores during the year 1975-76.

The Council also took up with the Ministry as well as the Shipping Associations the problems relating to exports to West African countries etc.

CREDIT FACILITIES

Matters relating to Credit facilities for handloom items etc., were taken up with the Reserve Bank of India and Export Credit Guarantee Corporation at periodical meetings.

YARN SUPPLY SCHEME

A special scheme has been drawn up by linking the exporters with selected mills for the supply of yarn on a regular basis at agreed prices. Several exporters had taken advantage of this scheme.

PUBLICITY PROGRAMME FOR 1977-78

A broad publicity programme for the year 1977-78 envisages the following:—

(a) Participation in Cologne Fair, Paris, and Copenhagen Fair.

(b) Inviting delegations from abroad.

(c) Publication for use abroad.

(d) Publication within the country.

(e) Advertisement abroad.

(f) Exhibition and Showroom within the country.

(g) Four Man Team to Latin American Countries consisting of Argentine, Chile, Uruguay and West Indies.

(i) Four Man Team to East European countries, particularly to U.S.S.R. Poland, Czechoslovakia, Hungary, East Germany and Yugoslavia.

8.30. Asked about the constitution of the Committee of Administration of the Handloom Export Promotion Council, the Development Commissioner for Handlooms stated:

> "The present position is that the full Committee is not elected. The total membership is 25 with 5 nominated members, 3 *ex-officio* members, 17 elected members.......... We have decided to reconstitute the Council. This will consist of one representative of Cotton handloom fabrics of one product, the real Madras handkerchiefs which is a very big item amounting for Rs. 20 crores in trade with West Africa, then there will be 6 representatives of other cotton handloom fabrics. Apart from these, there will be 4 representatives of cotton handloom garment exporters, three of cotton handloom made-up, that is, bedsheets etc.; 3 representatives of silk handloom fabrics made-up."

8.31. Asked if any review of the working of the Handloom Export Promotion Council has been done by Government, the Development Commissioner for Handlooms stated:—

> "No separate review is made. Every year, the Council submits its annual report which is considered by Government"

8.32. Asked about the reasons for the Handloom Export Promotion Council not having any branch, the Development Commissioner for Handlooms stated:—

> "We are looking into this. The headquarters is in Madras and so it is in a position to cater to the Southern States through which a lot of handloom fabrics, particularly those meant for garment production are being made. An office will be opened almost immediately to cater to the Northern Section. The question of opening one in the Eastern Zone is also being looked into, though there is no immediate justification for it."

8.33. Asked if the Sales-cum-Study Teams sent by the Handloom Export Promotion Council submitted any report, the Development Commissioner for Handlooms stated:—

> "Each of the teams has submitted a report which has indicated the lines along which exports could be stepped up. They submitted the report about 5-6 months back. One advantage we have with the Sales-cum-Study Team is that private exporters are also members thereof. Usually they start action immediately without waiting for directions."

8.34. In para 33 of their 163rd report, the Estimates Committee (1961-62) had recommended that:

> "The Committee are not quite convinced of the need for having two separate bodies for dealing with the export of handloom fabrics *viz.*, the All India Handloom Ex-Marketing Cooperative Society Ltd., and Handloom Export Organisation, one for the traditional markets and the other for non-traditional markets. They feel that one common organisation should be able to handle exports to all the countries."

8.35. Asked if there was any duplication of effort in the field of export by Handloom Export Promotion Council and Handloom Fabrics Marketing Cooperative Society, the Development Commissioner for Handlooms stated:—

> "The two organisations have different functions. The fabric society is a trading organisation which is meant to trade and develop exports of handloom products; they have certain overseas branches. The Handloom Export Promotion Council is simply an apex institution representing

all the handloom exporters of the country for the purpose of looking into their problems, doing something about cash assistance, taking measures to improve quality and acting for handloom industry as a whole.

8.36. The Committee note that the Handloom Export Promotion Council was set up in 1965 with headquarters at Madras and the main functions of the Council are promotional in character. For the promotion of the exports of handloom products, the Council have participated in a number of Trade Fairs/Exhibitions in foreign countries, have sponsored a number of delegations/Sales-cum-Study Teams to foreign countries and taken up publicity programme for handloom products.

8.37. The Committee note that at present the Committee of Administration of the Council does not have representation from the various interests and regions. The Committee have been informed that the reconstitution of the Handloom Export Promotion Council is already under the consideration of the Government. The Committee recommend that early steps should be taken to reconstitute the Committee of Administration of the Handloom Export Promotion Council in such a way that due representation may be given to the various interests representing major items of export; care being also taken to see that various regions of the country are adequately represented.

8.38. The Committee note that the headquarters of the Export Promotion Council are located in Madras, but there are no offices in the regions. In view of the fact that the handloom products are being exported in a big way from all over the country, the Committee suggest that adequate facilities for serving the Regional interests of handloom exports should be provided which may either be done by opening compact cells of the Council in leading regions or by designating a cell in the Directorate of the Development Commissioner for Handlooms.

8.39. The Committee would like to point out that the Handloom Export Promotion Council has to play an important role in promoting the export of handloom products to foreign countries. The first and foremost task of the Council should be to evolve a mechanism for conducting market surveys and study of foreign tastes and changes in fashions etc. in these countries and to keep the domestic producers informed of these changes so that the domestic production may be aligned to the demand in the foreign markets. The Council should also ensure that the handloom products exported to other

countries are of the requisite quality and specifications so that the handloom products may not come to adverse notice in foreign markets.

8.40. The Committee further note that Handloom Export Promotion Council has been sending delegations Sales-cum-Study Teams to some of the countries to promote the export of handloom products in these countries. The Committee have been informed that the delegations/Sales-cum-Study Teams submit their reports to Government. The Committee need hardly point out that these reports should have been studied carefully soon after receipt in order to take proper follow up action. In case this has not been done, the Committee suggest that the reports receive during the last two years may be thoroughly examined and follow up action taken thereon within three months. In future institutional arrangements may be made to ensure that as soon as a report of visiting team is received it is scrutinised as per a time bound programme and necessary follow-up action taken without loss of time.

8.41. The Committee note that although the Export Promotion Council was set up in 1965, no review of the working of the Handloom Export Promotion Council has been done so far. The Committee feel that a review of the working of the Handloom Export Promotion Council is overdue. The Committee recommend that Government should get the working of the Handloom Export Promotion Council evaluated by an independent body at an early date.

8.42. The Committee further note that the Handloom Fabrics Marketing Cooperative Society is also engaged in promotion of exports of Handloom products in the foreign markets. In this connection, the Committee would like to invite the attention of Government to the recommendations made in their 163rd Report (1961-62) in which the Committee had stated that they were not quite convinced of the need for having two separate bodies for dealing with the export of Handloom products viz. Handloom Fabrics Cooperative Marketing Society Ltd. and Handloom Export Council. The Committee felt that one common organisation should be able to handle exports to all the countries. The Committee would like to emphasise that Government should ensure that there is no duplication of efforts in the field of export promotion between the Handloom Export Promotion Council and the Handloom Fabrics Cooperative Marketing Society Ltd.

8.43. The Committee note that the Export Promotion Council has participated in a number of exhibitions and fairs to promote the export of handloom products. The Committee feel that exhibitions and trade fairs constitute a very powerful and effective means of projecting country's image and developing exports among various countries by attracting buyers from different parts of the world. They not only strengthen the already established links but also create new channels and possibilities for the growth of exports. The role of exhibitions and trade fairs in stepping up the country's export cannot be minimised. In the light thereof, Government may arrange for participation by the handlooms in other important trade fairs and exhibitions. The Committee would however, like to stress that participation should not be as a matter of routine but in every case a conscious decision should be taken after consideration of all relevant factors and there should be an in-built arrangement to evaluate the results achieved by way of increased exports after the fair/exhibition is over. The Committee recommend that Government should evaluate the increase in exports achieved in monetary terms as a result of participation in fairs and exhibitions abroad vis-a-vis expenditure incurred in such participation.

8.44. The Committee would like to commend the example of International Trade Council of Japan which has played a significant role on behalf of the Japanese trade and industry in identifying the scope for promotion, feeding back significant information to the home manufacturers and thus acting as eyes and ears of the trade and industry. The Estimates Committee have, in their earlier reports on Export Promotion Measures etc, commended this organisation for emulation in our country. The Committee feel that in the case of handlooms such an organisation can play a significant part. The Committee would like to add that it is not their intention that yet an additional body should be set up abroad for this purpose. What they desire is that there should be a proper and well informed and well equipped compact organisation in export markets of interest to India so as to provide meaningful and timely information about the market trends, consumer preferences etc. There is no reason why such an organisation may not be multi-functionary in its coverage and interests so as to minimise the cost and maximise the benefits.

NEW DELHI;
March 18, 1978
Phalguna 27, 1899 (*Saka*).

SATYENDRA NARAYAN SINHA,
Chairman,
Estimates Committee.

APPENDIX I

(*Vide* para 1.11 of the report)

Statement showing No. of handlooms in each State

S. No.	State	No. of Handlooms (in '000s)
1.	Andhra Pradesh	597
2.	Assam	590
3.	Bihar	201
4.	Gujarat	34
5.	Haryana	50
6.	Himachal Pradesh	2
7.	Kerala	71
8.	Madhya Pradesh	53
9.	Maharashtra	185
10.	Manipur	200
11.	Karnataka	137
12.	Punjab	18
13.	Rajasthan	142
14.	Orissa	87
15.	Tamil Nadu	550
16.	Tripura	123
17.	Uttar Pradesh	509
18.	West Bengal	198
19.	Delhi	3
20.	Pondicherry	4
21.	Nagaland	50
22.	Meghalaya	3
	TOTAL	3807

APPENDIX II

(*Vide* para 1.23 of the report)

HANDLOOM INDUSTRY

First Five Year Plan—State-wise ceiling shares, amount sanctioned and expenditure incurred during the years 1953-54 *to* 1955-56.

(Rs. lakhs.)

State	Ceiling Share	Amount Sanctioned	Amount spent
Ajmer	5·06	1·81	1·16
Andhra Pradesh	162·21	147·63	134·42
Assam	16·19	15·66	14·93
Bhopal	0·51	0·54	0·48
Bihar	61·26	75·24	65·32
Bombay	110·43	87·07	62·60
Coorg	0·11	0·09	0·09
Delhi	1·02	0·72	0·74
Himachal Pradesh	0·18	0·06	..
Hyderabad	54·17	86·92	84·50
Kerala	30·17	35·57	27·58
Kutch	1·90	0·64	0·25
Madhya Pradesh	74·11	53·10	64·48
Madhya Bharat	11·60	9·24	6·21
Madras	334·52	292·52	279·97
Manipur	1·52	2·99	1·45
Mysore	34·46	27·61	18·84
Orissa	45·94	38·67	33·10
Pepsu	1·75	1·62	0·85
Pondicherry	..	3·09	1·96
Punjab	11·50	9·78	9·76
Rajasthan	18·55	10·90	6·60

(Rs. lakhs,

State	Ceiling share	Amount Sanctioned	Amount spent
Saurashtra	13·80	12·71	15·6
Sirohi	0·13	..	
Tripura	4·30	1·72	0·4[illegible]
Uttar Pradesh	128·28	103·33	90·82
Vindhya Pradesh	3·00	1·23	1·04
West Bengal	63·33	56·35	46·30
TOTAL :	1190·00	1071·81	969·52

APPENDIX III

(*Vide* para 1.24 of the report)

HANDLOOM INDUSTRY

Second Plan—State-wise expenditure

States	(Rs. lakhs)
1. Andhra Pradesh	430·35
2. Assam .	44·13
3. Bihar . .	184·96
4. Gujarat .	5·77
5. Jammu & Kashmir.	3·47
6. Kerala . .	126·43
7. Madhya Pradesh . .	64·20
8. Madras	718·43
9. Maharashtra	247·07
10. Mysore .	174·99
11. Orissa. .	82·22
12. Punjab .	27·62
13. Rajasthan .	41·82
14. Uttar Pradesh .	226·58
15. West Bengal .	146·92
16. Delhi . .	4·63
17. Himachal Pradesh .	0·12
18. Manipur . . .	4·90
19. Pondicherry . . .	7·83
20. Tripura. . . .	5·25
TOTAL . .	2547·69

APPENDIX IV

(*Vide* para 1.26 of the Report)

HANDLOOM INDUSTRY

Third Five Year Plan—State-wise Expenditure

(Rs.

	State/Union Territory	Third Plan Expenditure*
1.	Andhra Pradesh	360·81
2.	Assam	69·89
3.	Bihar	104·93
4.	Gujarat	38·51
5.	Haryana	—
6.	Himachal Pradesh	7·18
7.	Jammu & Kashmir.	13·85
8.	Kerala.	131·34
9.	Madhya Pradesh	73·00
10.	Maharashtra.	148·10
11.	Meghalaya	—
12.	Mysore	93·23
13.	Nagaland	1·92
14.	Orissa	114·82
15.	Punjab	33·[illegible]3
16.	Rajasthan	15·02
17.	Tamil Nadu	750·32
18.	Uttar Pradesh	179·73
19.	West Bengal	157·27
20.	Andaman & Nicobar Islands	—
21.	Chandigarh	—
22.	Dadra & Nagar Haveli	—
23.	Delhi	6·40
24.	Goa, Daman & Diu.	0·02

*Includes expenditure on powerlooms also.

	State/Union Territory	Third Plan Expenditure (Rs. lakhs)
25.	Laccadiv, Minicoy & Amindiv Islands.	..
26.	Manipur	7·83
27.	Nefa	5·82
28.	Pondicherry	3·22
29.	Tripura.	5·11
	TOTAL	2321·75

APPENDIX V..

(*Vide* para 3.14 of the Report)

Note on Reserve Bank of India scheme for financing weavers societies

Weavers societies may be broadly classified into (a) apex|regional weavers societies and (b) primary weavers societies. The apex|regional weavers societies are federations of primary weavers societies and their main functions are (i) to supply yarn to their members and (ii) to assist the members in marketing the cloth produced by them. The primary weavers societies on the other hand are organisations of individual weavers formed on co-operative basis. These societies function either as production-*cum*-sale societies or as service societies providing various services to their members. The Reserve Bank of India provides financial accommodation to the co-operative banks for financing the aforesaid activities of the apex|regional weavers societies and the primary weavers societies functioning on production-*cum*-sale pattern. Financial accommodation for distribution of yarn by the apex|regional weavers societies is provided under Section 17 (2) (a) read with Section 17 (4) (c) of the Reserve Bank of India Act, 1934 and that for procurement and marketing of cloth of member-societies by the apex|regional weavers societies, and production and marketing activities of primary weavers societies under Section 17 (2) (bb) read with Section 17 (4) (c) of the Act *ibid.* The accommodation under Section 17(2) (bb) read with Section 17(4) (c) for financing the weavers societies both apex|regional and primary weavers societies is provided under a scheme drawn up by the Bank in 1956 in consultation with the Government of India. This scheme is known as Reserve Bank Scheme of Handloom Finance. The scheme which initially covered only cotton handloom weavers societies was extended to other types of handloom weavers societies and powerloom weavers societies in 1968. Under the scheme the Reserve Bank provides financial accommodation to state co-operative banks directly for financing the procurement and marketing of cloth by the apex/regional weavers societies and on behalf of the central/industrial co-operative banks for financing the production and marketing activities of the primary weavers societies at 1 per cent below the Bank Rate against the guarantee of the concerned state governments on the condition that in the case of accommodation for financing the handloom weavers societies and their federations, co-op. banks will charge the same rate of interest from the societies at which advances are made by the Reserve Bank. A subsidy of interest is to be given by state governments to financing banks to compensate them for the loss incurred by them by lending to handloom weavers societies/their federations at a rate lower than the normal rate. The rate of subsidy at present is 3 per cent. No interest subsidy is available to financing banks in case of advances to powerloom weavers societies and the co-operative banks are allowed to charge a reasonable rate of interest on advances to powerloom weavers societies. The salient features of the scheme for financing the primary weavers societies and the apex weavers/regional weavers societies are given below:

I. *Primary weavers societies*

(i) *Eligibility for finance*

The primary weavers societies working on production-*cum*-sale pattern are eligible for financial accommodation under the scheme. A weavers society is regarded as working on production-*cum*-sale pattern when it supplies yarn etc. to members for production of specified variety of cloth on its own behalf and takes back the finished cloth from members after paying the wages for labour put in by them. Production may be undertaken either in a common shed or in the cottages of weaver members.

(ii) *Standards for assessing the working capital requirements*

Two types of limits may be sanctioned to the primary weavers societies:

(a) Normal limit

(b) Additional limit.

Normal limit

The normal limit to primary weavers societies may be assessed on the basis of the following norms:

(a) In case of newly organised societies or dormant societies to be revitalised, the credit limit will be limited to 25 per cent of the anticipated production during the year or the amount worked out on per loom basis as indicated below, whichever, is less.

Cotton handloom weavers	Rs. 1,000
Woollen handloom weavers	Rs. 2,000
Silk handloom weavers	Rs. 2,000
Powerloom weavers	Rs. 5,000

(b) For well established/running primary weavers societies, credit limit may be determined at 25 per cent of the value of cloth produced by a society on its own account during the previous year plus a reasonable increase in production expected during the year generally 10 per cent, provided the sales during the previous year were 2/3 of the production. Where the sales were less, the limit for the year has to be reduced proportionately.

A very recent development has been the suggestion made by the Reserve Bank of India to the Government of India for the formation of small groups at the state level to deal with the present position in regard to assessment of the working capital requirements of weavers societies on the existing basis and to make recommendations for changes, if justified. In this connection a copy of D.O. No. ACD. Plan. (IFS)-776/HA.10-76|7 dated 23 August 1976 addressed to Shri Mani Narayanswami, Development Commissioner for Handlooms, Ministry of Commerce, Government of India is given as an Annexure.

(c) The limit may be sanctioned on pledge/hypothecation basis with a margin of 10 per cent. Since the margin money is to come from the net disposable resources of the society, no society may be sanctioned a limit exceeding nine times of the net disposable resources although it may be eligible for a higher limit as per (a) and (b) above. The net disposable resources for this purpose will comprise of the owned funds of the society (paid-up share capital plus all reserves and funds) and deposits less investment in Government and trustee securities, shares in co-operative institutions, fixed assets and fittings and accumulated losses.

Additional limit

If a society is in real need of funds over and above the normal limit it may be sanctioned an additional limit against pledge or hypothecation of finished cloth or against the bills payable by apex weavers societies for cloth purchased by the latter but not paid for subject to a margin of 25 per cent. The additional limit is intended to continue production activities during periods when sales are generally slack. Such accommodation should be provided only to those societies which had a good sales record.

(iii) *Nature of accommodation*

Accommodation under the normal limit and the additional limit should be provided on a secured basis subject to margins indicated under item (ii). There must be distinct cover for borrowings under the normal limit and the additional credit limit.

(iv) *Cover for borrowings*

The following items can be shown as cover for borrowings:

(a) Yarn in stock with the society valued on the basis of age-wise classification.

(b) Yarn with members held on society's own account for production.

(c) Dyes and chemicals and other raw-materials required for production of cloth.

(d) Finished goods (cloth in stock) valued on the basis of age-wise classification.

(e) Rebate claims due from State Governments on the basis of certificates given by the Government.

(f) Dues and outstanding recoveries from the apex weavers societies for cloth sold.

(g) Advance wages equivalent to 25 per cent of the total number of knots of yarn issued to and oustanding against weavers at any given time.

The borrowing society should submit a statement of cover for borrowings from the bank at the end of each month. This statement forms the main basis for regulating drawals on credit limits sanctioned by the central co-operative banks to societies.

(v) *Norms for valuation of stock-in-trade*

Valuation of stock of cloth, yarn, dyes and chemicals with the weavers society should be made on the basis of norms indicated below:

Stock upto 12 months	At the cost of production or purchase.
Stock over 12 months and upto 24 months inclusive	At 80 per cent of the cost of production or purchase.
Stock over 24 months	At 60 per cent of the cost of production or purchase.

(vi) *Margin*

Besides the margin available from items which may be reckoned as cover for borrowings, the following items can also be reckoned temporarily as margin money for advances.

(a) Cash and bank balances,

(b) Reserve found investment in Government and other trustee securities (unencumbered),

(c) Reserve Fund deposits with the Central Cooperative Bank of the district (unencumbered),

(d) Building constructed out of the profits of the society (unencumbered) and.

(e) Plant, equipments and machinery used in the business of a society (unencumbered to any other creditor).

(vii) *Insurance*

Central Co-operative banks should insist upon the insurance of stock-in-trade at their full value against fire and other risks. Insurance against burglary risk is necessary only in cases of societies situated in places where there is a past history of burglary. Further, the insurance policy should be in the joint names of the concerned society and the bank or with a bank clause.

(viii) *Safeguards necessary for operation upon cash credit limit*

In order to regulate the transactions of weavers societies so that cash credit limits are not treated by them as fixed loans, the following measures should be taken.

(a) Payment for the purchase of yarn both from the apex society and open maket may bem ade by cheque drawn on the cash credit account.

(b) When there is a deficit in the cover against the Reserve Bank of India and Cess Fund limits, further operations on the cash credit account should be stopped until the deficit is made up,

(c) if, there is no operation on the cash credit account for over 6 months, the account should be treated as blocked and the credit limit should be revived only on receipt of a sepcial report.

(ix) *Renewal of cash credit limits*

Enhancement or renewal of cash credit should be based on the following guidelines.

(a) Cash credit limit may be enhanced or renewed for societies which credit into the account not less than 75 per cent of their sale proceeds during the year, provided other relevant conditions are satisfied.

(b) In cases where the remittances exceed 50 per cent but are less than 75 per cent of the sale proceeds, the bank may after examining the circumstanes under which the society was not in a position to remit a major portion of the sale proceeds as suggested above, renew the cash credit limit if it is satisfied that the short fall in the remittance was due to circumstances beyond society's control.

(c) The cash credit limits to the societies which do not remit even 50 per cent of their sale proceeds should not ordinarily be renewed and the amount outstanding against them should be treated as overdue.

(d) If the total of the amounts repaid by a society into its cash credit account during the year is not equal to the cash credit limit, then also the society should be treated as a defaulter to the bank and the outstandings treated as overdue.

(e) The societies financed by the bank should be solvent. In other words, their accumulated losses, if any, should not exceed their own funds.

(ix) *Reimbursement facilities from the Reserve Bank*

(a) Normal as well as additional financial accommodation provided by central banks to weavers societies are reimbursable from the credit limit sanctioned by the Reserve Bank under Section 17(2) (bb) read with Section 17(4) (c) of the Reserve Bank of India Act, 1934. The Reserve Bank will normally fix a credit limit after taking into account the accommodation which is likely to be provided by the bank to weavers societies under both normal and additional limits during the coming year. The size of the credit limit will of course depend upon the standards of eligibility fixed with reference to the bank's owned funds and the bank's satisfying the Reserve Bank about its financial soundness and operational efficiency.

(b) A central co-operative bank may use its resources first in making advances to societies and later approach the apex bank for reimbursement. Similarly a state co-operative bank may advance loans to a central co-operative bank in the first instance and later reimburse itself from the credit limit sanctioned on behalf of the central co-operative bank. Reimbursement from the credit limit will be available only in respect of production and sale societies. In other words, no part of the limit is to be utilised by a bank for financing a society which engages in the sale of cloth not produced on its own account by its members Further the outstanding borrowing by a state co-operative bank on behalf of a central co-operative bank under Section 17(2)(bb) of the Reserve Bank of India Act should not at any time exceed the latter's outstanding advances against weavers societies. Thus the cover for drawals on the Reserve Bank's credit limits will be non-overdue outstandings against societies and will exclude outstandings under unrenewed cash credit limits. The outstandings under cash credit limits not renewed should not be shown as cover for borrowings from the Reserve Bank. If a loan or cash credit limit from cess fund borrowings is also sanctioned to a society or such a loan has been directly given by the Government to a society, the bank should ensure that there is adequate cover for the entire advance and that the prescribed margin of 10 per cent is maintained on all the outstandings. In case of deficit in cover for borrowings, it is necessary to wipe it out by making corresponding repayments within a week of the close of the month. The central banks should obtain every month a cover statement from the weavers' societies financed out of the credit limit sanctioned by the Reserve Bank and furnish to the State co-operative bank a certificate every month to the effect that such statements have been obtained.

(c) Credit limit is operative from 1 April to 31 March next. The field staff posted in the area of operation of the central co-operative bank should collect the financial data of weavers societies for the preceding calendar year ended 31 December and submit the same to the central co-operative banks by 31 January. The central co-operative banks should in turn submit credit limit applications to the apex bank by 15 February so that these could be forwarded to Reserve Bank of India by the apex bank through the Registrar of Co-operative Societies by 15 March for sanction of credit limit to them on behalf of the central co-operative banks concerned for the next financial year commencing from 1 April.

(d) The credit limit can be operated upon by drawing and repaying as often as necessary provided the amount outstanding at any time does not exceed the limit sanctioned for the year Even though the limit is for the financial year, each drawal made is allowed to run for a period of one year before becoming due for repayment.

(xi) *Guarantee Schemes*

The advances made by central co-operative banks to weavers societies may be covered under any of the following guarantee schemes (a) Ninety Per cent Loss Guarantee Scheme and (b) Ninety Per cent Default Guarantee Scheme (c) Credit Guarantee Scheme for small scale industries.

The Ninety Per cent Loss Guarantee Scheme, covers all advances to handloom weavers co-operative societies under the Resrve Bank of India Scheme for Weavers finance. It covers only ultimate losses incurred by co-operative banks upto an extent of 90 per cent. The Ninety Per cent Default Guarantee Scheme provides guarantee up to 90 per cent in respect of defaults arising from loans to all types of industrial co-operatives such as those undertaking production and or sale activities, providing services, federal societies as well as processing societies. The advances granted by the co-operative banks to handloom weavers societies can be covered under either of the two Schemes. Under both the guarantee schemes losses in respect of non-payment of loans and defaults arising from loans to all types of industrial societies are shared by the Central Government, State Government and the bank concerned in the ratio of 50:40:10 provided the maximum aggregate amount payable by the Central Government shall not exceed 5 per cent of the total loans disbursed in the state and outstanding under the scheme on 30 June and 31 December preceding. The Ninety Per cent Loss Guarantee scheme has been extended by the Government of India till the end of the Fifth Plan period. Besides, the Government of India have also advised the State Governments to continue the various schemes of assistance to industrial co-operatives including Ninety Per cent Default Guarantee Scheme during the Fifth Plan Period.

Advances granted by central co-operative banks to the primary weavers societies working on production-*cum*-sale basis can also be covered under the Credit Guarantee Scheme for small scale industries of the Government of India. The Reserve Bank of India designated as 'Guarantee Organisation' has been administering the scheme, as an agent of the Central Government. The scheme provides for payment of 75 per cent of the amount in default or the amount guaranteed, whichever is lower, subject to a ceiling per borrower of Rs. 7.50 lakhs in respect of working capital advances and a further sum of Rs. 2.5 lakhs in respect of term loans. All the central co-operative banks in the country are eligible institutions under the scheme and can avail of the guarantee facilities under the scheme by executing the necessary agreement with the Guarantee Organisation.

II. *Apex/regional weavers societies*

(i) *Eligibility for assistance*

Apex/regional weavers societies which function as federal organization of primary weavers societies are eligible for accommodation for procurement and marketing of cloth.

(ii) *Standards for assessing credit requirements*

Credit requirements for procurement and marketing of cloth are to be assessed at 1/4 of the anticipated sales during the current year (i.e. sales during the previous calendar year plus 10 per cent). The limit may be sanctioned on pladge/hypothecation basis with a margin of 10 per cent. Since the margin money is to come from net disposable resources, no society may be sanctioned a limit exceeding 9 times of the net disposable resources although it may be eligible for a higher limit on the basis of anticipated sales. The maximum credit limit that may be sanctioned by the Reserve Bank does not ordinarily exceed 3 times the owned funds of the society.

(iii) *Cover for borrowings*

Besides stock of cloth with the society, the following items can also be shown as cover for borrowings from the apex bank.

(a) Aggregate rebate claims certified for payment by the appropriate authorities in the previous two months or the actual outstandings, under all claims preferred from time to time, as at the end of the preceding month, whichever is less.

(b) Aggregate of claims presented to the Treasuries/Government departments for payment in the past two months in respect of sales of cloth to Government servants or the actual outstandings, under all such claims preferred from time to time, as at the end of the preceding month, whichever is less.

The society is required to submit a statement of cover for borrowings from the bank at the end of each month. Drawals on the limit are to be regulated on the basis of drawing power worked out with reference to statement submitted by the society.

(iv) *Norm for valuation of stock-in-trade*

The norms for valuation of stock of cloth with the society for the purpose of cover for borrowings are the same as indicated for the primary weavers societies.

(v) *Insurance*

The bank should insist upon the insurance of stock-in-trade at their full value against fire and other risks. The insurance policy should be in the joint names of the concerned society and the bank or with a bank clause.

(vi) *Reimbursement facilities from the Reserve Bank*

(a) Accommodation provided by the state co-operative banks to the apex/regional weavers societies for procurement and marketing of cloth is reimbursable from the credit limit sanctioned by the Reserve Bank to them for this purpose under Section 17(2) (bb) read with Section 17(4) (c) of the Reserve Bank of India Act. The credit limit sanctioned by the Reserve Bank can be operated upon by drawing and repaying as often as necessary provided the amount outstanding at any time does not exceed the limit sanctioned for the year. The limit is sanctioned for the financial year and each drawal is allowed to run for a period of 1 year before becoming due for repayment.

(b) Accommodation is also provided by the Reserve Bank under Section 17(2) (a) of the Reserve Bank of India Act to state co-operative banks for financing apex/regional weavers societies for trading in yarn. The principal requirement in respct of accommodation under this Section for trading in yarn are that a bill on the security of which the accommodation is to be availed of should be drawn and payable in India, it should have arisen out of a *bonafide* commercial or trade transaction and it should be self-liquidating within a period of 90 days. The accommodation to the apex/regional weavers society in this regard is limited to a multiple of its net disposable resources and its ability to provide a margin of 10 per cent. The accommodation is granted by the Reserve Bank at the Bank Rate.

ANNEXURE

RESERVE BANK OF INDIA
AGRICULTURAL CREDIT DEPARTMENT
CENTRAL OFFICE
GARMENT HOUSE, P.B. NO. 16575
BOMBAY 400018

D.O. No. ACD.Plan.(IFS) 776/HA.10-76/7.

23 *August*, 1976|1 *Bhadra*, 1898 (*S*).

My dear Shri Mani Narayanswami

This is in continuation of my D.O. letter No. ACD.Plan.645/HA.10-76/7 dated 13 August 1976. As indicated by me at the Conference held in Bangalore on 11-8-76, there should be some working arrangements for co-ordination between different departments and agencies concerned with the financing of weavers' societies. At the state level particularly, I had suggested the formation of a small group consisting of the Director of Handlooms, the Registrar of Co-operative Societies, the Managing Director of the State Co-operative Bank and the Officer-in-charge of our local Agricultural Credit Department. The Director of Handlooms could be the convener of this Group.

2. The Group could meet and discuss the manner in which the credit limit applications for financing weavers' societies were being dealt with by the state and central co-operative banks at present and should also ascertain the specific difficulties in this regard. It may also consider the question whether the existing stipulation for fixing credit limits of weavers' societies particularly in regard to the 25 per cent formula is creating difficulties *i.e.* standing in the way of adequate finance being made available to deserving primary weavers' societies and make specific recommendations to us.

3. We shall be glad to consider the recommendations of the Group for such relaxations in deserving cases, but would suggest that the Group may take into account the guidelines broadly indicated in the annexure before making any recommendation. It is necessary for the Group to furnish us adequate facts to support their recommendations. The reports of the Group may be prepared separately for

each central co-operative bank and may be transmitted to us along with the credit limit application of the bank concerned.

4. I am endorsing a copy of this letter to the Registrars of Co-operative Societies, Directors of Handlooms and the state co-operative banks of the four states *viz.*, Andhra Pradesh, Karnataka, Kerala and Tamil Nadu for their information and necessary action. A copy also goes to our local Office.

With kind regards.

Yours sincerely,
Sd/-
K. Madhava Das

Encl:

Shri Mani Narayanswami
Development Commissioner for Handlooms
Ministry of Commerce
Government of India
New Delhi.

Endt. No. ACD. Plan. (IFS)/777/HA. 10-76/7 of date.

Copy alongwith a copy of the annexure referred to above forwarded for information and necessary action to:

1. the Director of Handlooms,
2. the Registrar of Co-operative Societies,
3. the Managing Director, State Co-operative Bank.
4. the Deputy Chief Officer/Assistant Chief Officer, Agricultural Credit Department, Reserve Bank of India,
5. the Deputy Chief Officer, Agricultural Credit Department, Reserve Bank of India, Operations Division, Bombay-400018.

R. SUNDARAVARADAN,
Deputy Chief Officer.

Encl: Two sheets.

ANNEXURE

Guidelines for the State Level Group for the Study of and making Recommendations on the working of the existing terms and conditions governing finance from RBI for weavers' co-operative societies.

(1) Whether the societies financed by the central bank are viable e.g. whether they are in a position to maintain a reasonable complement of staff, an office and a godown of its own or on hire, make adequate appropriations to the reserve fund and other funds and also a reasonable rate of dividend on the share capital? What are the steps taken or proposed to be taken by the state government to reorganize societies on a viable basis with reference to the standards of viability followed, if any.

(2) What are the specific difficulties in selling the finished goods normally within a period of 2 months from the date of production? What are the arrangements made or proposed to be made in ensuring better sales?

(3) Whether the finished goods produced are varieties which do sell easily or do not sell readily and what steps have been taken or are being taken to diversify production and ensure marketability?

(4) Whether the society has made unduly heavy investments in (a) fixed assets (b) shares in central co-operative banks and other co-operative institutions including spinning mills? Whether the investment in (a) and (b) above exceed 60 per cent of the owned funds?

(5) Whether credit sales are heavy and pending for long periods? What is the proportion of credit sales to total sales as at the end of each of the last four quarters and for what period have they been outstanding? Normally they should not exceed 5 per cent of the total sales and should not be outstanding for over 3 months. What is the ratio of credit sales outstanding at the end of the year to the average monthly collections? Why or for what reasons is the apex society not making cash payments for the goods purchased from primary societies and what is the time-lag in the payment of credit purchases? Have any loans been issued to members?

(6) Whether the investments in yarn, dyes and chemicals are unduly heavy? Normally the inventory should not ordinarily exceed a month's requirement. If it does, what are the specific reasons for the same?

(7) What are the difficulties in primary weavers societies availing themselves of the additional credit limit from the central co-operative banks? What are the restrictive practices if any, followed by central co-operative banks in this regard?

(8) Have the central co-operative banks released the reserve fund investments of weavers' co-operative societies to be used in the business of the latter? What steps have been taken by the state government to amend the State Co-operative Societies Act or Rules framed thereunder which contain restrictive provisions in this regard?

(9) What is the share linking presently insisted upon by the central co-operative banks in financing weavers' co-operative societies? What is the share linking with spinning mills? What steps have been taken to reduce the ratio of sharelinking to borrowings to 1:40 against pledge/hypothecation as suggested by the Reserve Bank of India? The reduced ratio would release more funds for working capital purposes.

(10) The proforma enclosed may please be filled in with the latest available data as it will help in working out the proposal according to these guidelines.

PROFORMA

1. Name of the Central Co-operative bank:————————

2. District:————————   3. State:————————

4. What are the norms fixed for viability of primary handloom weavers' societies in the District/State with reference to turnover of cloth and No. of looms.

Name of society	Whether the society is—considered viable or potentially viable	Position as on 31 December............					Total of Col. 6 & 7	Percentage of Col. 8 to Col. 5	Total sales during the year	Credit sales during the year
		Paid-up capital	Reserves & other funds	Owned funds (3+4)	Investments in shares in central co-op. bank, co-op. spinning mills & other institutions	Investment in fixed assets other than those acquired through Govt. loans/grants				
1	2	3	4	5	6	7	8	9	10	11

Percentage of Col. 11 to Col. 10	Credit sales outstanding at the end of the year	Average monthly realisations of credit sales	Average time-lag between sale of goods to Apex society and realisation of sale proceeds from the latter	Loans issued to members during the year	Loans outstanding at the end of the year		Average monthly consumption of	
					Current	Overdue	Yarn	Dyes & chemicals
12	13	14	15	16	17	18	19	20

Stock in hand as on							
31 March		30 June		30 September		31 December	
Yarn	Dyes & chemicals	Yarn	Dyes & chemicals	Yarn	Dyes & chemicals	Yarn	Dyes & chemicals
21	22	23	24	25	26	27	28

Reserve fund as on 31 Dec.	Reserve fund investment in the Central bank as on 31 Dec.	Investments in the shares of Central on 31 Dec	Investment in the shares of bank as spinning mills as on 31 Dec.	Maximum borrowing reached during the year	Ratio of Col. 31 to Col. 33	
29	30	31	32	33	33	34

N.B.—Year means calendar year. Figures in the proforma and the credit limit application should relate to the same year.

ANNEXURE 12(*b*)

Procedure for sanction of credit limit under Section 17(2)(bb)

I. *Primary weavers societies*

(i) In the first week of February every year, the Reserve Bank issues a circular to the Registrar of Co-operative Societies of all the States/Union Territories advising them to instruct the state co-operative bank and the central co-operative banks to submit applications for credit limits for the coming financial year by 15 March of the current year.

(ii) Application is to be submitted in the form prescribed for the purpose. The application form provides for furnishing of information regarding the financial position of the weavers societies proposed to be financed, production during the previous calendar year, anticipated production during the current year, operations on cash credit limit sanctioned to them by the central co-operative banks in the previous year etc.

(iii) Application for credit limit received by the Reserve Bank is scrutinised to see that it is duly filled in and complete in all respects and is supported with the resolution of the state and central co-operative banks to borrow the amount applied for and recommendation of the Registrar of Co-operative Societies. It is also seen that whether the concerned State Government have executed/expressed its willingness to stand guarantee for the advances.

(iv) Financial position of the bank is examined in brief with reference to the findings of last inspection conducted by the Reserve Bank under Section 35 of the Banking Regulation Act, 1949. Generally, the banks with overdues exceeding 60 per cent of the demand are not considered eligible for accommodation from the Reserve Bank. Defective features observed in the financing of weavers societies by the bank and steps taken by it to rectify them are noted. Operations on credit limit if any sanctioned to the bank are examined with a view to ascertaining whether the limit was utilised in full; if not whether the bank has advanced any convincing reasons for under utilisation/non-utilisation of limit.

(v) Financial position of the primary weavers societies proposed to be financed by the bank and their operations during the previous calendar year are examined to find out whether the societies are solvent, working on production-cum-sale basis and where financed by the bank during the last year, have remitted at least 50 per cent of the sale proceeds to the cash cerdit account in the previous calendar year. The societies not working on production-cum-sale basis, insolvent societies *i.e.* societies where accumulated losses exceed the owned funds and the societies which do not remit at least 50 per cent of the sale proceeds are not considered eligible for financial accommodation from the Reserve Bank and hence these societies are excluded from the list of societies proposed to be financed by the central bank for purposes of assessing their working capital requirements. The societies considered eligible for financial accommodation from the Reserve Bank are grouped into (a) established/running societies and (b) newly organised societies/revitalised societies. In the case of established societies, aggregate value of goods produced by them during the previous calendar year plus reasonable increase generally at 10 per cent or the aggregate value of anticipated production during the year for which limit is applied for as furnished by the bank in the application whichever is lower, is considered as the realistic production programme of the societies for the current year. One-fourth of the realistic production programme is taken as the working capital requirements of the societies.

In the case of newly organised societies/revitalised societies where production data for the full calendar year are not available, the working capital requirements are assessed at 1/4 of the estimated production as furnished in the application or the amount worked out on per loom basis, whichever is lower.

Aggregate of the estimated working capital requirements for the established societies and the new/revitansed societies is the eligibility of the Central bank for normal credit for financing the societies.

(vi) The maximum credit limit that may be sanctioned to a central bank under Section 17(2)(bb) does not ordinarily exceed its owned funds. The eligibility of the bank on the basis of its owned funds is worked out and is compared with the eligibility of the bank for normal limit on the basis of realistic production programme of the societies and the limit recommended for sanction by the Registrar of Co-operative Societies. The lowest of the above 3 is the limit upto which central bank may be sanctioned credit limit for financing the weavers societies.

(vii) Within the ceiling limit arrived at in the manner indicated in item (vi), the actual limit is sanctioned to the bank taking into account its past performance for financing the weavers societies and the utilisation of limit if any, sanctioned to it.

II. *Apex/regional weavers societies*

In the case of limits on behalf of the apex societies, the eligibility is fixed up to 3 times of its share capital and reserve fund. Further, the turnover during the previous year, the anticipated sales during the current year and inventory on hand are the important consideration for fixing the limits.

APPENDIX VI

(*Vide* para 5.39 of the report)

Statement showing number of Handlooms in States

Name of the States	No. of handlooms	No. of handlooms in cooperative sector	Percentage of handlooms in cooperative sector
Assam	5,50,000	47,820	8
Andhra Pradesh . . .	5,02,000	2,76,000	55
Tamil Nadu . .	5,56,000	1,50,000	27
Bihar . . .	2,00,000	1,75,000	87
Manipur	2,50,000	13,000	5
West Bengal . .	1,98,585	67,708	34
Maharashtra. . .	1,85,000	72,000	39
Karnataka .	1,37,000	1,06,000	75
Orissa . . .	2,73,400	1,21,050	44
Kerala .	90,000	25,000	32
Uttar Pradesh . .	5,09,400	1,29,300	25
Haryana . . .	50,000	6,960	12
Punjab . . .	46,500	10,280	20
Tripura .	N.A.	N.A.	
Nagaland . . .	57,000	13,200	22
Jammu & Kashmir . . .	90,030	N.A.	
Madhya Pradesh	58,000	17,000	36
Gujarat .	36,000	4,300	31
Rajasthan . .	1,44,450	1,657	2
Pondicherry	3,169	1,984	52
Delhi. . .	4,00	1,419	75
Meghalaya . .	..	1,427	
Himachal Pradesh .	9,000	1,470	19
Mizoram	N.A.	N.A.	
Sikkim . . .	250	Nil.	
	39,71,784	12,42,567	

APPENDIX VII

(*Vide* para 5.39 of the Report)

Information relating to targets fixed for increasing cooperative coverage during 1974-75, 1975-76 and 1976-77, actual achievements against these targets, the present coverage, details of shortfalls in achieving *these targets if any and reasons for shortfalls and information received from State Governments:—*

(1) *Gujarat:—*

1. No of Cooperative societies. . . .	141
2. No. of members in 141 societies. .	6860
3. No. of handlooms in cooperative societies. . .	10121
4. No. of working handlooms in Cooperative societies.	3327
5. Targets for:	
1974-75 . . .	Not fixed
1975-76 .	Not fixed
1976-77 . . .	2000

Achievements during 1976-77, 29 new cooperative societies organised of 997 weavers and 997 handlooms.

6. No. of dormant societies revitalised during 1976-77	7 (having 245 members with 245 handlooms).
7. Reasons for shortfall .	The Scheme of cooperative coverage was implemented during 1976-77 at the flag end of the year in March 1977 and therefore target fixed could not be achieved.

(2) *Andhra Pradesh*

1. Total loomage in cooperative sector at the begining of fifth five year plan.	2·21 lakhs. (as on date 2·76 lakhs).
2. Active loomage in cooperative and percentage at the beginning of the fifth five year plan. . .	75,000 (34%).
3. Active loomage in cooperative and percentage as on date.	1·80 lakhs (65%)
4. Target fixed for 60% cooperative coverage: .	3·00 lakhs.
Achievements:	2·76 lakhs.
5. New members admitted during :—	
1974-75	1805
1975-76	1065
1976-77	41,044
1977-78 up to September, 1977. .	10,000

(3) *Haryana* :

1. Number of handlooms at the begining of fifth five year plan	Not known
2. Target fixed for fifth five year Plan	Not known
3. Target for increasing cooperative coverage	Not known.
4. Number of active cooperative societies—	
1974-75	100
1975-76	390
1976-77	Not known.

(4) *Karnataka* :

1. Percentage of active cooperative coverage of handloom weavers at the begining of fifth five year plan	42%
2. Target fixed for increasing the cooperative coverage:—	
1974-75	Nil.
1975-76	Nil.
1976-77	8,889 looms.
3. Shortfall to achieve the target :	The progress in the cooperative coverage is delayed due to re-organisation of the primary weavers into viable societies. The number of cooperative societies in the state are 748 societies most of them being not confirming to the viability norms prescribed under Sivaraman Committee. A Programme of reorganisation was taken up to make viable units by reducing them to about 400 societies. This involves some statutory requirements and as such there is a shortfall in the target to be achieved to cover as many as 8889 looms. The coordination Committee constituted by the Government is taking all the steps to expedite the reorganisation.

(5) *West Bengal*

1. Cooperative coverage of handlooms at the begining of the fifth plan.	30%		
2. The target fixed for increasing cooperative coverage	1974-75	1975-76	1976-77
	35%	40%	4%
3. Actual achievements.	34 %	36%	38%

4. Reasons for shortfall . The infra-structure was not yet so strongly built as was needed for co-operativisation to the targetted extend. Now we are progressing in the attempts to chanalise funds and raw materials and provide for marketing arrangements.

(6) *Orissa*:—

1. At the end of fourth five year plan: . . .

Total weavers	under coopt.	coverage Percentage
2,93,400	99,675	33

2. Target fixed to enrol new members:

1974-75 . . .	500
1975-76	2,000
1976-77 . . .	3,000
1977-78	8,900

3. Achievements for cooperative coverage:

1974-75	1975-76	1976-77	1977-78
196	954	790	510 (upto end of August 1977)

4. Reasons for shortfall . . Reasons for low achievements is that due to tight financial position sufficient share capital loan could not be provided to weavers:--Al weavers in the cooperatives could not be given full work as sufficient workingcapital loan also could not be provided.

(7) *Maharashtra*:—The percentage of members of the Handlooms Weavers Cooperative Societies at the beginning of the Fifth Five Year Plan in the State was 55. No targets were fixed for increasing the Cooperative coverage in the year 1974-75, 1975-76 and 1976-77. However new members enrolled in the Handloom Weaver Cooperative Societies were as follows:—

1974-75	2977
1975-76	2849
1976-77	5205

The estimated present coverage of Handlooms Cooperative Societies is 69 per cent.

Since then there were no targets fixed a question of shortfalls and the reasons thereof does not arise.

(8) *Punjab*:

The position of active cooperative coverage of handloom weavers in the State during the year 1974-75 was 21 per cent whereas during 1975-76 it was 26 per cent and 1976-77 it is 26 per cent. A survey is being conducted by the Industries Department Punjab and the targets will be fixed on completion of the survey.

	1974-75			1975-76			1976-77			1977-78 (upto 15-9-77)		
	Target	Achievement	Percentage	Target	Achievement	Percentage	Target	Achievement	Percentage	Target	Achievement	Percentage
(9) *Uttar Pradesh* 1. *Indl.* Co-operatives												
(1) No. of Societies Regd.		64		45	54	1·120	250	382	152·8	250	18	35·2
(2) Members brought under Coop. fold	..	1,318	..	2250	2492	110·8	11000	13981	127·1	7500	3290	43·8
(3) No. of looms brought under coop. fold		2115		1400	3130	223·29	12500	20729	165·83	12500	5111	4·

APPENDIX VIII

(*Vide* para 7.5 of the report)

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
Department of Textiles
Office of the Textile Commissioner
Post Bag No. 11500
Bombay-400 020

No. HB/HP/Res/75-76/C-10. Dated the 25th April, 1977

The Chief Secretary,
Government of

Sir,

SUBJECT:—*Reservation of lines of production exclusively for the handloom industry.*

Reference is invited to this office letter of even number dated the 8-10-1975 on the above subject, in which details of the varieties of cloth reserved for the handloom sector had been enumerated. In this context, I am to inform that the basic Handloom Reservation Order dated 15-4-1950 has been rescinded and in its place the following three notifications have been issued (copies enclosed for reference and guidance):—

(i) Notification No. CER/10/77 dated 15-4-1977.
(ii) Notification No. CER/2/77 dated 15-4-1977.
(iii) Notification No. CER/24/77 dated 15-4-1977.

2. I need hardly reiterate that without continuous and rigorous enforcement of the handloom reservations, the benefits of these orders would not reach the ultimate weavers. You are also aware that necessary powers for enforcing these regulations have already been delegated to the appropriate State Government authorities.

Yours faithfully,
Sd/-
(S. Padmanabhan)
Adviser (Cotton)

Encl: as above.

Copy to:
The Development Commissioner,
Office of the Development Commissioner for Handlooms,
Ministry of Commerce, New Delhi.

Sd/- R. Subramanian
Deputy Director

GOVERNMENT OF INDIA
(BHARAT SARKAR)
Ministry of Commerce
(VANIJYA MANTRALAYA)
OFFICE OF THE TEXTILE COMMISSIONER
POST BAG NO: 11500-Bombay-20

No. CIBI/6/296/'69-Vol. IV dated, the 15th April, 1977.

(1) All Composite Mills.

(2) The Secretary General,
Indian Cotton Mills Federation,
Bombay.

(3) The Managing Director,
National Textile Corporation Ltd.,
Surya Kiran Building, 8th Floor,
Kasturba Gandhi Marg, New Delhi.

Gentlemen,

A copy each of the under noted Textile Commissioner's Notifications is forwarded herewith for your information and compliance.

(Annexure)

1. CER/10/77 dated 15th April, 1977
2. CER/2/77 dated 15th April, 1977
3. CER/24/77 dated 15th April, 1977
4. CER/25/77 dated 14th April, 1977

C.R. No. 345

Yours faithfully,
Sd/-
(K. MUTHUSVAMI)
Director

Copy to:—

1. All Millowners Associations & Processors Associations.
2. All Powerloom Associations.
3. Ministry of Commerce, New Delhi.
4. Ministry of Finance, CBR, New Delhi.
5. All State Governments.
6. All Regional Offices (10 copies each)
7. All Collectors of Central Excise (5 copies each).

8. Agricultural Prices Commission, Department of Agriculture, Govt. of India, New Delhi.

9. TXC/A. TXC./J. TXC/I.A./A(C).

10. (i) Prices (ii) Production (iii) Control Co-ordination (iv) Enforcement (5 copies each) and all other branches.

Sd/-
(M. M. Gandhi)
Assistant Director

GOVERNMENT OF INDIA
(BHARAT SARKAR)
MINISTRY OF COMMERCE
(VANIJYA MANTRALAYA)
OFFICE OF THE TEXTILE COMMISSIONER
POST BAG NO. 11500,
BOMBAY—20

Bombay, dated the 14th April, 1977.

NOTIFICATION

No. CER/25/77: In exercise of the powers conferred on me by Clause 20 of the Cotton Textiles (Control) Order, 1948, I hereby rescind the following Textile Commissioner's Notifications, namely:—

(1)	No. TCS-1/20	Dated	22-9-1949
(2)	No. 9(9) TEX-1/49	,,	15-4-1950
(3)	No. 2(24) 63-Control	,,	30-9-1963
(4)	No. CER/9/65	,,	18-9-1965
(5)	No. CER/10A/66	,,	9-11-1966
(6)	No. CER/2A/66	,,	22-12-1966

Sd/-
(G. S. BHARGAVA)
Joint Textile Commissioner

GOVERNMENT OF INDIA
(BHARAT SARKAR)
MINISTRY OF COMMERCE
(VANIJYA MANTRALAYA)
OFFICE OF THE TEXTILE COMMISSIONER
(VASTHRA AYUKTA KA KARYALAYA)
POST BAG NO: 11500-Bombay-20.

Bombay, dated the 15th April, 1977.

NOTIFICATION

No. CER/10/77:—In exercise of the powers conferred on me by Clause 20 of the Cotton Textiles (Control Order, 1948) I hereby issue the following directions:—

(i) These directions shall come into force immediately and shall continue to be in force till the 31st March, 1982.

(ii) These directions shall be complied with by all producers.

(iii) If a producer satisfies the Textile Commissioner of such Officer as the Textile Commissioner may appoint in this behalf that there are sufficient reasons why such producer should be exempted from compliance with any or all of these directions or that any or all of these directions should be modified in their application to him, the Textile Commissioner or the Officer so appointed by him, may, by an Order, in writing, exempt such producer from compliance with any or all of these directions or modify any or all of these directions in their application to such producer.

(iv) These directions excepting direction No. 3 shall not apply—

(a) to cloth manufactured for export and market with export markings; and

(b) to cloth which is produced on a powerloom in Government institution and which is sold as Government property;

2. *Dhoties*—(1) No producer shall produce a dhoti with borders exceeding 6.35 mm in width, containing coloured yarn, or use zari or muga or art silk yarn in dhoti border.

(2) No producer shall piece-dye any dhoti.

(3) No producer shall use any coloured yarn in the body of a dhoti except in a border or heading thereof.

Explanation:—For the purpose of this direction dhoti means any type of grey or bleached cloth, whether or not mercerised, of plain weave which—

(i) is manufactured either wholly from cotton or partly from cotton and partly from any other material;

(ii) contains white or coloured yarn on its borders or headings;

(iii) has a width ranging between 71 centimetres and 137 centimetres (inclusive); and

(iv) is commonly known by that name.

Explanation II:—The width of the border of a dhoti shall mean the total width measured from the extreme end of the selvedge of the fabric to the portion enclosed by the innermost coloured end inserted in the border.

3. *Lungis and Gamchas*—No producer shall produce any Lungi, Sarong or Gamcha with a check pattern or any cloth with a check pattern and having width between 106—68 (cms and 132.08 cms from which Lungis, Sarongs or Gamchas may be made:

Provided that nothing in this direction shall apply to the production of bed ticking cloth or gadlapat cloth (i) which has no coloured or white patti borders; (ii) which is made of warp and weft counts not higher than 18s and (iii) which has reads and picks not higher than 48 and 44, respectively.

4. *Chaddars, Bed-sheets, Red covers and Counter-pane*—

(i) No producer shall produce any checked or striped chaddar;

(ii) No producer shall produce any bed-sheet with coloured woven borders lengthwise or breadthwise;

(iii) No producer shall produce any bed cover;

(iv) No producer shall produce any counter-pane other than one having overall dobby or jacquard designs.

Explanation:—In this direction—

(a) "chaddar" means any piece of cloth which is normally called by that name and which is used as in West Bengal for covering the body like a shawl;

(b) "Bed-sheet" means any piece of grey or bleached cloth which may be used for spreading over a bed and includes sheetings;

(c) "Bed-cover" means any outer covering of a bed which is not a counter-pane as defined below and which has a decorative or coloured effect;

(d) "Counter-pane" means any outer covering of bed woven in raised figures.

5. *Low reeds pick cloth*—No producer shall produce any cloth specified in sub-paragraphs (i), (ii) and (iii) below:

(i) cloth in group III with reeds and picks less than 36 and 32 respectively;

(ii) Cloth in groups IV, V and VI, with reeds and picks less than 40 and 36, respectively;

(iii) cloth in group VII and above, with reeds and picks less than 44 and 40 respectively;

(iv) Nothing in this direction shall apply to—

(a) dhotis and sarees,

(b) sucies,

(c) mosquito netting cloth,

(d) long cloth

(e) mesh cloth, and

(f) dyed and printed cloth.

Explanation—The expression group or groups mentioned above has reference to the cloth group or groups specified in the Schedule appended to this direction.

SCHEDULE

Group	Basic count		Permissible Count	
	Warp	Weft	Warp	Weft
1	2	3	4	5
I.	14	10	9—14	9—12
II.	14	14	12—16	13—16
III.	20	20	17—21	17—24
IV.	22	30	22—25	25—34
V.	30	30	26—36	26—34
VI.	30	40	26—36	35—42
VII.	40	40	35—42	35—42

6. *Table cloth and napkins*—No producer shall produce any table cloth or napkins other than one of damask bleached quality.

7. *Dusters*—No producer shall produce a duster or duster cloth or wiper cloth or glass cloth.

8. *Cloth of plain weave*:—No producer shall produce—

(a) cloth of plain weave with warp of weft counts 8s and below;

(b) any cloth of plain weave having a width exceeding 101.60 cms. if,

(i) it is piece dyed or woven with coloured yarn; and

(ii) it contains coloured yarn in its border or borders:

Provided that nothing in this clause shall apply to—

(i) belting canvas or duck, weighing more than 205 grammes per square metre;

(ii) industrial canvas weighing more than 205 grammes per square metre;

(iii) commercial dodsuti or dosuti weighing more than 205 grammes per square metre.

Explanation:—For the purpose of this direction border shall mean the portion of the cloth, on either side, 1.27 cm. in width, measured from the extreme end of the selvedge;

9. *Saree*:—

(a) No producer shall produce any saree with borders exceeding 6.35 cms. in width or use real or imitation zari in a saree border;

(aa) no producer who has spinning plant shall produce a saree with border of 1.90 cms. or less in width and containing coloured yarn in its border unless he has previously sent to the Textile Commissioner a sample of such cloth of the dimensions of 15.24 cms. × 15.24 cms. and has received the Textile Commissioner's approval of such sample for bulk manufacture;

(b) no producer who has a spinning plant shall use gold coloured art silk yarn in a saree border;

(c) no producer shall use any coloured yarn in the body of a saree except in a border or heading thereof;

(d) No producer shall piece-dye any saree;

(e) no producer shall produce any saree with a heading more than 22.86 cms. in width.

(f) no producer who has no spinning plant shall produce any saree in which the count of yarn is below 36s (whether warp or weft and whether single or folded).

Explanation:—For the purposes of this direction, 'Saree' means any type of grey or bleached cloth, whether or not mercerised of plain weave which—

(i) is manufactured either wholly from cotton or partly from cotton and partly from any other material;

(ii) contains coloured yarn or white yarn on its borders or headlings;

(iii) has a width ranging between 94 centimetres and 137 centimetres (inclusive); and

(iv) is commonly known by that name.

Explanation II:—The term "heading" in paragraph (e) of this direction means heading woven with coloured or grey yarn.

Explanation III:—For the purpose of measuring the border of a saree, the width of the border shall mean the total width measured from the extreme end of the selvedge of the fabric to the portion enclosed by the innermost coloured end inserted in the border; provided that the width covered by the total number of coloured ends in the border shall be at least 50 per cent of the width of the border or 1.27 cms. whichever is higher.

10. Towels—

(a) No producer shall produce towels or toweling cloth in honey comb weaver;

(b) No producer shall produce any Frazha Thorthu.

Explanation I:—"Efazha Thorthu" means a towel of plain weaver commonly known by the name in the State of Madras and Kerala and made with 2 ply yarn both in the warp and weft produced in groups to III (both inclusive).

Explanation II:—The expression groups mentioned above has reference to the cloth groups specified in the Schedule below direction 5 of this Notification.

11. No producer shall produce any Mashru cloth, that is to say cloth in satin weave with silk or rayon warp and cotton weft and having characteristic coloured strips.

12. No producer shall produce any cotton crepe fabric.

Explanation:—For the purpose of this direction, "Cotton Crepe fabric" means, any fabric of plain weave made out of very high twisted single yarn whether or not in combination with yarn having normal twist but of coarser count than the body yarn to produce carded effect and|when the fabric after treatment or finishing produces puckered or crinkled effect.

Sd/- G. S. BHARGVA

Joint Textile Commissioner

GOVERNGENT OF INDIA

MINISTRY OF COMMERCE

(VANIJY MANTRALAYA)

OFFICE OF THE TEXTILE COMMISSIONER

(VASTRA AYUKTA KA KARYALAYA)

POST BAG NO: 11500, Bombay—20

Bombay dated the 15th April, 1977.

No. CER|2|77:—In exercise of the powers conferred on me by Clause 20 of the Cotton Textiles (Control) Order, 1948, I hereby issue the following directions:—

(i) These directions shall come into force immediately and shall continue to be in force till the 31st March, 1982.

(ii) Subject to the provisions of sub-paragraph (iii) below, these directions shall be complied with by all producers other than producers who have no spinning plant.

Provided that:—

(a) the provision of sub-paragraph (4) of paragraph 4 below shall be complied with by a processor also.

(b) the provision of paragraph 9 below shall be complied with by a producer having a spinning plant, and

(c) the provision of paragraph 10 below shall be complied with by a manufacturer also.

(iii) if a manufacturer to whom this Notification applies, satisfies the Textile commissioner or such Officer as the Textile Commissioner may appoint in this behalf, that there are sufficient reasons why such manufacturer should be exampted from compliance with any or all of these directions or that any or all of these directions should be modified in their application to him, the Textile Commissioner or the Officer so appointed by him may, by an Order, in writing, exempt such manufacturer from compliance with any or all of these directions or modify any or all of these directions in their application to such manufacturer.

2. In these directions—

(a) the expression "Quantity" means quantity as measured by the linear yeard;

(b) the expression "Wearable varieties of cloth" means the varieties of cloth specified in Schedule I annexed to these directions;

(c) the expression "non-wearable varieties of cloth" means the varieties of cloth specified in Schedule III annexed to this Notification.

3. (1) No producer shall, in any year commencing from the first day of January, 1972, produce dhoti or saree in excess of 120 per cent of the quantum or dhoti or saree, as the case may be, produced by him during the year 1963 or 1965 or 1966.

(2) Nothing in sub-paragraph (1) above shall apply to the production of—

(i) Dhoti or saree for export out of India.

(ii) Controlled dhoti and controlled saree required to be produced under the directions of the Textile Commissioner, from time to time under Clause 21A of the above said Order.

Explanation I:—For the purpose of this paragraph 'year' means the period of twelve months beginning from the 1st day of January and ending on the last day of December.

Explanation II:—For the purpose of this paragraph, the words 'dhoit' and 'saree' shall have the meaning attributed to them in Explanation I to direction 2 and in Explanation I to direction 9, respectively of the Textile Commissioner's Notification No. CER|10|77, dated 15th April, 1977 and the words 'Controlled dhoti' and 'Controlled saree' shall have the meaning attributed to them in the Textile Commissioner's Notification No. CER/1/68 dated the 2nd May, 1968.

4(1). No producer shall dye in Standard Olive Green shade (Scamic No. 314) or any shade closely resembling it, Mosquito netting, sewing thread or any variety of cloth specified in Schedule, 1, other than the varieties at Item Nos. 1 to 4 therein, except when such cloth or thread is produced for supply to the Government of India in accordance with an order placed by the Government of India.

(2) No producer shall piece dye except for export out of India any of the following varieties of cloth in shade which is not fast to washing namely:—

Poplins, Mulls, voiles and dorias.

Explanation:—The term "fast to washing" means colour fastness of the textile material to a minumum of grade 3 to mechanical washing (severe) prescribed in I.S.I. Standard No. I:S; 765-1956 and evaluated in accordance with I.S.I. Standard No. I:S; 768—1956.

(3) No producer shall in the border of a dhoti or a saree use any coloured yarn which is not dyed in a fast to bleach shade.

(4) No manufacturer shall dye or finish any cloth meant to be used as umbrella cloth unless he dyes it himself in sulphur black or in aniline black colour or he receives the cloth dyed in any one of the said colours.

Note:—A Manufacturer shall not undertake manufacture of any umbrella cloth in bulk quantities or undertake processing or finishing (in bulk quantities) of any cloth meant to be used as umbrella cloth unless he has previously sent to the Textile Commissioner a 47 centimetre full width sample of such cloth and has received the Textile Commissioner's approval of such sample.

5. No producer shall print any saree, bed-spread, bed-cover, table-cover produced on powerlooms with any heading or border.

Explanation: In this paragraph:—

(1) "Heading" means any colour pattern different from that in the body of the fabric including a while heading which runs widthwise from selvedge to selvedge of the fabric.

(2) "Border" means any clour pattern different from that in the body of the fabric including a white border which runs alongside and close to the selvedge.

(3) "Saree" has the same meaning as is assigned to it in Sub-para (6) of Explanation under para 3 of the Notification No. S.O. 3656, dated the 13th October, 1964 and includes controlled saree specified in sub-para (b) of para (2) of the Textile Commissioner's Notification No. CER/1/68, dated the 2nd May, 1968.

(4) "Bed-spread" means any piece of grey or bleached cloth which may be used for spreading over a bed and includes sheeting.

(5) "Bed-cover" means any outer covering of a bed which is not a counter-pane and which has a decorative or coloured effect.

(6) "Table cover" means any piece of grey, bleached, coloured or printed cloth which may be used for spreading over a Table.

6. No producer shall use any artificial silk yarn in the warp of any cloth, except artificial silk yarn which is not gold coloured, in the warp of the borders of sarees, unless he has previously sent to the Textile Commissioner a sample of such cloth of the dimension of 15 cms. X 15 cms together with true and accurate information in the forms prescribed under the Textile Commissioner's Notification No. CER/4/65, dated the 24th April 1965, and has received the Textile Commissioner's approval of such sample.

"*Note*:—The restriction for the use of any artificial silk yarn in the warp of any cloth shall not apply in respect of yarn produced by the manufacturer in accordance with the Textile Commissioner's Notification No. 5(2)/76-CLB.II, dated the 16th September, 1976."

7. No producer shall produce any controlled dhoti, controlled saree, controlled long cloth and controlled shirting which does not

conform to the specifications laid down in Schedule II annexed to these directions.

Explanation:—The term 'Controlled dhoti' 'Controlled saree' 'Controlled long cloth' and 'Controlled shirting' shall have the same meaning as attributed to each such item in the Textile Commissioner's Notification No. CER/1/68, dated the 2nd May, 1968.

8. Every producer while producing controlled long cloth'' ''controlled shirting" "controlled drill" and "Controlled Tussore" shall include two coloured threads, fast to bleach, warp wise, all through the length and adjacent to one of the selvedges.

Provided that such coloured threads shall not be inserted in non-controlled cloth.

Note:—The coloured threads to be included for the above purpose shall ordinarily be in Napthol Red Colour. However, in the case of printed, dyed or other coloured cloth, the coloured thread to be included may be in any other alternative contrasting colour and should be clearly visible.

Explanation:—The term "controlled long cloth" Controlled shirting" "controlled drill" and "Controlled tussore" shall have the same meaning as attributed to each such item in the Textile Commissioner's Notification No. CER/1/68, dated the 2nd May, 1968.

9. No producer having a spinning plant shall produce for sale any 'Reverse Twist Yarn' except with the previous permission in writing of the Textile Commissioner.

Explanation:—"Reverse Twist Yarn" means single yarn in which the direction of twist is anti-clockwise.

10. (1) No manufacturer having an embroidery machine shall under take or carry out the following type of embroidery, with the help of an embroidery machine namely:—

(i) Nasida work and Ruffugiri,

(ii) Chikankari, and

(iii) Phulari.

Explanation:—Embroidery machine for this purpose means automatic shuttle embroidery machine worked by power as defined in clause (g) of section 2 of the Factories Act, 1948 (LXIII of 1948), and used for decorating textile fabrics with designs formed with thread by the help of needles.

(2) Nothing in sub-para (1) above shall apply to a manufacture who makes any of the above mentioned embroidery work under the Authority of the Textile commissioner cloth embroidered for export out side India.

11. Nothing in paragraphs 7 and 8 above shall apply to cloth of the following description:—

(a) Cloth produced for export.

(b) Cloth produced for supply to the Government of India in accordance with an order placed with the producer by the Government of India.

(c) Cloth produced for experimental purposes not exceeding 2500 metres per month.

SCHEDULE I

1. Dhoties Grey Bleached Mercerised.
2. Sarees Grey Bleached Mercerised
3. Mulls Grey Bleached Dyed Mercerised.
4. Voiles and Dorias-Bleached Dyed Mercerised.
5. Longcloth-Grey Bleached Dyed printed.
6. Poplin or Crepes Bleached Grey Woven Coloured Dyed Printed Mercarised.
7. Twill-Grey Bleached Dyed Striped Mercerised.
8. Shirting and Sucis-woven Coloured Drop Box Check Calendered Bleached Mercerised.
9. Shirtings Grey Bleached.
10. Leopard-Grey
11. Drills-Grey Bleached Dyed.
12. Coating-Grey Bleached Dyed Woven Coloured Plain or Dobby Weave Mercerised.
13. Mazri Cloth.
14. Bed-Sheets-Grey woven Coloured Bleached Dyed Dobby Jacquard.
15. Bed Ticking Clothes.
16. Flannelettes-Bleached Dyed.

SCHEDULE II

Basic Counts			Permissible range of counts		Minimum Constructions		
Group	Warp	Weft	Warp	Weft	Long cloth	Shirtings	Dhoti/Sari
					Read Picks	Read Picks	Read Picks
1	2	3	4	5	6	7	8
I.	10	14	9—12	12—16	40 X 36		
II.	14	18	13—16	16—20	44 X 40		40 X 36
III.	18	24	17—20	22—26	48 X 44	60 X 44	44 X 40
IV.	22	28	21—23	27—29	52 X 48	64 X 44	48 X 44
V.	24	30	24—26	28—32	52 X 52	64 X 48	48 X 44
VI.	28	36	26—30	34—38	56 X 52	68 X 48	52 X 48

Note:—(i) Each controlled variety will be linked to any one of the groups above. If the warpcount is within the range specified under column 4 the weft count should be of the range of weft counts specified under column 5.

(ii) Dual linking namely warp of one group and the weft of another group is not allowed.

(iii) Read and pick adopted shall not be lower than the minimum read and pick specified under columns 6, 7 & 8.

(iv) Read shall mean the number of ends per inch in the read. Pick shall mean the number of picks per inch in grey loom state of cloth.

(v) Production of controlled dhoti and controlled saree under group I and production of controlled shirting under group I and group II is not permissible.

SCHEDULE III

Non-Wearable Varieties of Cloth

(1) Filter cloth.

(2) Gauze cloth.

(3) Lint cloth (Excluding flannelettes which fall under the category of wearable item of cloth).

(4) Bandage cloth certified by the Textile Commissioner as Non-wearable).

(5) Mosquito netting.

(6) Handkerchiefs.

(7) Canvas and Ducks cotton (certified by the Textile Commissioner as non-wearable).

(8) Umbrella cloth.

(9) Furnishing fabric (certified by the Textile Commissioner as non-wearable).

(10) Overall Jacquard and Leno quality cloth (certified by the Textile Commissioner as non-wearable).

(11) Towels and such Towelling cloths as may be certified by the Textile Commissioner as non-wearable.

(12) Dusters and Polishing cloths, size not exceeding one square ward.

(13) Table Linens, including Napkins, Servittes and Table cloth with the heading on all four sides or hammed, but not in running lengths which are wearable.

(14) Rags and Chindies as defined in the Textile Commissioner's Notification No. CER/3/69, dated the 19th September, 1969.

(15) Buckram Canvas certified by the Textile Commissioner as non-wearable.

(16) Cotton Waste Blankets.

(17) Tape.

(18) Newar.

Sd/- G. S. BHARGAVA,
Joint Textile Commissioner.

GOVERNMENT OF INDIA
(BHARAT SARKAR)
MINISTRY OF COMMERCE
(VANIJYA MANTRALAYA)
OFFICE OF THE TEXTILE COMMISSIONER
(VASTRA AYUKTA KA KARYALAYA)
POST BAG NO. 11500—Bombay-20.

Bombay, dated the 15th April, 1977

NOTIFICATION

No. CER/24/77:—In exercise of the powers conferred on me by Clause 20 of the Cotton Textiles (Control) Order, 1948, I hereby issue the following directions, namely:—

(i) These directions shall come into force immediately and shall continue to be in force till the 31st March, 1982.

(ii) If a processor satisfies the Textile Commissioner or such Officer as the Textile Commissioner may appoint in this behalf, that there are sufficient reasons why such processor could be exempted from compliance with any or all of these directions or that any or all of these directions shall be modified in their application to him, the Textile Commissioner or the Officer so appointed by him, may, by and Order, in writing, exempt such processor from compliance with any or all of these directions or modify any or all of these directions in their application to such processor.

2. No processor shall piece dye any dhoti or saree manufactured by a producer.

Explanation:—The Words 'dhoti' and 'saree' for the purposes of this Notification, shall respectively have the meanings attributed to them in Explanation I to Direction 2 and in Explanation I to Direction 9 of the Textile Commissioner's Notification No. CER/10/77, dated the 15th April, 1977.

3. No processor shall print any saree, bed-spread, bed-cover or table-cover, produced on powerlooms, with any heading or border.

Explanation:—The terms 'heading', 'border', 'Saree' 'bed-spread', 'bed-cover' and 'table-cover' shall have the same meaning as assigned to them in the Explanation below paragraph 5 of the Textile Commissioner's Notification No. ECR/2/77, dated the 15th April, 1977.

Sd/-
(G. S. BHARGAVA),
Joint Textile Commissioner.

APPENDIX IX

(Vide Introduction to the Report)

Summary of recommendations/observations contained in the Report

S. No.	Reference to Para No. of the Report	Recommendation Observations
(1)	(2)	(3)
1	1.3	The Committee note that the handloom industry occupies an important place in the economy of the country and from the employment point of view occupies a position next only to agriculture. The industry provides employment to more than 10 million people and produces 2200 million metres out of a total production of 8200 million cloth i.e. more than 25 per cent. It is, however, a matter of regret that the industry has still not been placed on a sound footing and continues to suffer in diverse ways. The Committee would like to point out that there is an ever increasing migration of the population from the rural areas to the urban areas as the employment potential in agriculture has reached a saturation point and the potential of growth of village industries is not being fully tapped. This has created considerable problems in urban areas, generating social tensions. If this trend is to be reversed, small scale and household industries in the rural areas will have to be encouraged on a big scale. The Committee feel that the handloom industry being predominantly a rural based industry, can play a vital role in providing gainful employment in the rural areas. The Committee have no doubt that if the handloom industry is put on a sound footing by providing adequate inputs, credit, protection from unhealthy competition from other sector & marketing facilities etc.

(1)	(2)	(3)
		to the weavers, it can play a significant rôle in providing employment opportunities to the rural population thereby reducing their drift to the urban areas as well as meet the clothing requirements of masses.
2	1.8	The Committee are surprised to note that even after 30 years of independence and completion of four Five Year Plans, Government have not yet been able to formulate an integrated national policy in respect of a basic necessity like cloth. The Committee would like to point out that the Task Force on Textile Industry had envisaged per capita consumption of 17.67 metres of cloth by 1978-79, i.e. the terminal year of the Fifth Five Year Plan. As against this, the per capita consumption of cloth in the country has gone down from 14.49 metres in 1973 to 13.62 metres in 1974 and 13.31 metres in 1975. The fall in per capita consumption has been mainly in the rural areas and this declime has mainly been noticed on the case of persons belonging to lower income groups. It is significant to note in this context that while in 1973, 71 per cent of cloth was priced at less than Rs. 5|- per metre, this percentage dropped to 47 per cent in 1975.
	1.9	The Committee would like to stress that in our country where vast majority of people are not able to meet even their minimum requirements in respect of cloth, this fall in the per capita consumption which has mainly occurred in rural areas and also in the case of persons belonging to the lower income groups, clearly underlines the need for determined efforts on the part of the Government to provide cloth to the people at cheap rates so as to enable people belonging to the poor and vulnerable of society to meet their clothing requirements and to increase the purchasing capacity of rural people.
	1.10	The Committee, therefore, recommend that Government should immediately formulate an in-

(1)	(2)	(3)
		tegrated textile policy clearly laying down the role assigned to the various sectors of the Textile industry, viz., organised mills, powerlooms, handlooms, and khadi etc. This policy while harmonising to the extent possible, the interest of the diverse sectors of the industry should aim at meeting the clothing needs of the people particularly those belonging to the weaker and vulnerable sectors of the society at prices which are within the reach of the common man. The Committee further recommend that the draft of the integrated textile policy should be laid on the Table of the Houses of Parliament so that the memebrs of Parliament may get a chance to discuss the same before its finalisation.
3	1.20	The Committee regret to note that Government have no precise information about the number of active handlooms actually working, the various types of handlooms, quantity, varieties of production etc., as no statistics about the handloom industry have been collected since 1957. It is difficult to appreciate as to how planned measures for the development of the handloom industry could be taken in the best interest of the industry and the country in the absence of basic statistics.
	1.21	The Committee, however, note that in the schemes of development now being implemented for the handloom industry, census is being undertaken in each of the States by the State agency and that the census will cover information on items like number of looms, distribution of looms areawise, pattern of production, wages earned by weavers, arrangements for supply of raw materials and marketing etc. It was earlier planned to complete the survey by December, 1976 but this date was later extended to March, 1977. However, the Committee find that even by November, 1977, the survey had been completed

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		only in 11 States|Union Territories while the survey has yet to be completed in 16 States|Union Territories. The Committee recommend that Government should fix another target date for completion of the census and ensure that the census is completed by this revised date positively so that effective steps for the development of the handloom industry are undertaken in a planned manner.
4	1.22	The Committee further note that no census proforma for the collection of information was circulated to the State Government in advance and it is only now that the Government have drawn up a proforma for the collection of information. The Committee fail to understand why a proforma was not drawn up in advance and circulated to State Governments, so that the requisite information could be collected on a uniform pattern. The Committee, therefore, recommend that the necessary information in respect of the handloom industry should be collected on an approved proforma and necessary follow-up measures taken for getting the information updated and analysed at regular intervals.
4	1.35	The Committee are distressed to note that although Government have been taking various steps for the development of the handloom industry since the inception of the Five Year Plans and a sum of over Rs. 100 crores has been spent upto the end of the Fourth Five Year Plan for this purpose, no appreciable impact could be made to improve the working of the handloom industry and the condition of weavers engaged in this industry. The industry is till suffering from the some problems which were afflicting it at the beginning of the First Five Year Plan, namely lack of organisational strength, shortage of basic inputs like yarn, finance, dyes and chemicals, weak cooperative structure, marketing facilities

(1)	(2)	(3)
		unhealthy competition etc. It appears that effective measures were not taken to remedy the basic ills which were coming in the way of sound development of the handloom industry with the result that this important sector of our economy is still in a very weak and unorganised state. The Committee note that before the commencement of the Fourth Plan, financial assistance to the State Governments for the development of handloom industry was provided by the Centre partly in the form of loans and partly in the form of grants. The Committee regret to note that during this period there have been wide disparities in the expenditure on handlooms in the various States with more or less equal number of handlooms. While an expenditure of Rs. 2179.41 lakhs was incurred in Tamil Nadu with 5.50 lakhs handlooms expenditure incurred by Andhra Pradesh with 5.79 lakhs handlooms was only Rs. 1187.15 lakhs and by U.P. with 5.09 lakhs handlooms, Rs. 526.13 lakhs only. Similarly, while Maharashtra, with 1.85 lakh handlooms and West Bengal with 1.98 lakh handlooms spent Rs. 573.77 lakhs and Rs. 422.21 lakhs respectively, the amount spent by Bihar, with 2.01 lakhs handlooms and Rajasthan, with 1.42 lakh handlooms was Rs. 393.71 lakhs and Rs. 66.24 lakhs respectively during the same period. The Committee are unable to appreciate such wide disparities. The Committee need hardly point out that in enquity, the Central assistance to the States should have been given with reference to the number of handlooms and the enormity of the problems faced by each state in this regard. It may well be that the States which received larger financial assistance from the Centre were organisationally strong and had prepared schemes in time. In the opinion of the Committee, the Central Government should make special efforts to provide assistance and guidance to the organi-

(1)	(2)	(3)
		sationally weak States so that these States are enables to progress rapidly and the imbalance in development is narrowed down. Central financial assistance should be provided that Central Schemes should be formulated with reference to the requirements and enormity of the problems in each State. The Committee have no doubt that in providing financial assistance and formulating Central schemes for the development of handloom industry in future, these aspects would be fully borne in mind.
6	1.37	The Committee note that since the beginning of the Fourth Plan, the pattern of financial allocation of funds to the States has undergone a change. Funds to the State Governments are now allowed in the form of block grants and loans. This has adversely affected the development of handloom industry in various States as not only lower priority was accorded to this industry in some States but the funds allotted for the handloom industry were diverted to other sectors.
	1.38	The Committee note that considerable emphasis has been laid on the development of the handloom industry in the Fifth Five Year Plan and a provision of Rs. 99 crores has been made in the Fifth Plan for the development of handloom industry. The Committee, however, note that although it is widely recognised that the handloom can play a significant role in meeting the clothing needs of the people and also in providing employment in rural areas, the provisions for the handloom sector neither fall in the core sector nor these are treated as earmarked funds with the results that there is always an apprehension that the funds allotted for the handloom sector might be diverted to other sectors. The Committee further note that proposal of treating the funds allotted for handloom sector as earmarked funds

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		has not yet been formally taken up with the Planning Commission. The Committee recommend that Government should ensure that funds allotted for the development of handloom industry during the plans are not only made available but it should be ensured that these funds are spent for this purpose only and no diversion of funds takes place. The Committee further recommend that Government should take up with Planning Commission the need for treating the allocation for handloom industry as earmarked funds and the Planning Commission should see that adequate funds for the industry are allocated and treated as earmarked funds so that no diversion of funds allotted to handloom sector may take place.
7	1.39	The Committee need hardly stress that now that a separate Development Commissioner for Handlooms has been appointed, his hands should be sufficiently strengthened and it should be ensured that the development programmes for the handlooms industry in the central sector as well as the various States receive the necessary fillip and the progress in their implementation should be closely watched and monitored and speedy and timely corrective measures taken wherever the progress is not found to be satisfactory.
8	1.42	The Committee note that Government had appointed a High Powered Study Team in 1973 under the Chairmanship of Shri B. Sivaraman, Member, Planning Commission to study in depth the problems of the Handloom Industry and the weavers and to suggest a programme for the development of this industry during the Fifth Five Year Plan period. The Study Team submitted its report in 1974 and made a number of recommendations for the development of the Handloom Industry, including appointment of a separate Development Commissioner for Hand-

(1)	(2)	(3)
		looms, setting up of Intensive Development Projects and Expert Promotion Schemes, etc. It is noted that while the recommendations of this Steady Team have been largely accepted by the Government, effective measures to implement a number of important recommendations on matters like supply of inputs i.e. hank yarn, credit, marketing arrangements have yet to be taken. The Committee have no doubt that if concerted measures are taken to meet the requirements of inputs and for marketing of cloth as highlighted in the Report of the Sivaraman Study Team, it should be possible to put before long the handloom industry on a firm footing. The Committee urge that Government should take definite decision on these matters and ensure their implementation in the field in letter and spirit, as per a time bound programme.
9	1.51	The Committee note that the High Powered Study Team on the Problems of Handloom Indusdustry (Sivaraman Study Team) had recommended (1974) that if the handloom interest was to be served a handloom cess specifically on the powerloom sector should be imposed and the income derived therefrom used for the development of handlooms. The Study Team also suggested that the excise differential between the powerloom sector and handloom sector should be of the same order as existing between the composite mills and the handloom sector. In the Government Resolution on the report of the Study Team it was however stated that while the gap in the incidence of excise duties on the mill made cloth and powerloom cloth needed to be reduced, the excise duty on the powerloom cloth could not be fully at par with the mill made cloth. In the budget of 1977-78, excise duty has been imposed on the yarn consumed both by mills and powerlooms. Excise duty has also been levied on the

(1)	(2)	(3)
		powerloom at processing stage although its incidence is less than that levied on mill made cloth. The powerlooms are not required to pay duty on production of grey cloth which is exciseable in case of mills. On the mill sector, apart from the excise duty, an additional handloom cess at 1.9 paise per metre is levied. The handloom sector is exempted from excise duty at all the three stages. The Committee further note that the whole question of comparative incidence of duties as between these sector and in relation to their impact on the handloom sector is expected to be gone into by the Working Group on Textiles which is considering the proposals for development of the three sectors during the next Five Year Plan. The Committee would like to emphasise that as the handloom sector suffers from a number of inherent disadvantages as compared to the mill and powerloom sectors, the problems of the handloom sector should receive serious attention while revising the tax structure on the textile industry with a view to ensuring that the competitive position of the handloom sector *vis-a-vis* powerloom and mill sectors is adequately protected.
10	1.57	The Committee note that in pursuance of the recommendations of the Sivaraman Study Team, Government have set up a separate Directorate under the Development Commissioner for Handlooms in the Ministry of Industry to deal exclusively with the problems of handloom industry. The Development Commissioner will coordinate the implementation of special Plan schemes and the implementation of the schemes which are part of State Plans. The Institutes of Handloom Technology and the Weavers Service Centres are also under the administrative control of the Development Commissioner. He has also been nominated as the Chairman of the All India Handloom Board and the Chairman of the

(1)	(2)	(3)
		Handloom Export Promotion Council. The Committee would like to point out that in view of the importance assigned to the development of the handloom industry, the development Commissioner for Handlooms has to perform an important role in the development of the handloom industry. He is required to keep watch on the all round development of the handloom industry, maintain liaison with the various authorities in the States, diagnose the ills and weaknesses of the industry and take timely remedial action. The Committee are glad to note that the Development Commissioner for Handlooms has already started a process of discussion and consultations with the authorities in the States etc. in this regard. The Committee have pointed out in detail the important role which the Development Commissioner for Handlooms can play in solving the problems of the Handloom Industry. The Committee hope that the Development Commissioner will intensify his efforts in this direction and perform the functions entrusted to him effectively.
11	1.58	The Committee note that the Office of the Development Commissioner for Handlooms is situated in Delhi and there are no Regional Offices of this Organisation in any part of the country. The Committee feel that as the handloom industry is widely dispersed throughout the country, it may be difficult for the Development Commissioner to deal effectively with the problems in relation to the development of the handlooms in the various States, from its headquarters at Delhi. Moreover, frequent tours of Officers from Delhi to the various States for discussing the problems of handloom industry, are not only likely to involve considerable expenditure but may not be very effective and useful in solving the pressing problems of this industry. The Committee consider that it

(1)	(2)	(3)
		would be useful if small compact Regional Offices of the Development Commissioner of Handlooms are set up at appropriate centres to maintain close coordination and liaison with the State authorities in the concerned regions, regarding the development of handloom industry.
12	1.68	The Committee note that the All India Handloom Board was set up in 1952 to advise the Government regarding the development of handloom industry and in the earlier years of its existence. the Board had played an important role in this regard. However, with the changed pattern of assistance since the inception of the Fourth Five Year Plan, the All India Handloom Board lost its importance. The Committee further note that a number of Working Groups and Task Forces as well as knowledgable non-officials have recommended that the All India Handloom Board should be made a statutory body.
	1.69	The Committee note that Government have recently reconstituted the All India Handloom Board which has 40 members under the Chairmanship of Development Commissioner for Handlooms. The reconstituted Board has three sub-Committees to deal with finance and administration, marketing and for technological improvements respectively. The Committee are surprised to note that the Board has no sub-Committee to deal with an important aspect like the timely availability and supply of basic inputs like yarn, dyes and chemicals which constitute the most pressing problem of the handloom weavers. The Committee recommend that a separate sub-Committee to deal with the availability and supply of inputs like yarn to the handloom weavers should be set up immediately.
13	1.70.	The Committee note that the All India Handloom Board was reconstituted in May, 1976

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		and till December, 1977 it has held only one meeting. No meeting was held during 1977. The Committee would like that the All India Handloom Board should be made an effective instrument for keeping constant watch on the implementation of the handloom development programme in various States, monitoring the actual progress made and finding out bottlenecks and gaps so as to ensure that remedial measures are taken in time. For this purpose the Committee are of the view that the All India Handloom Board should meet regularly and more frequently so that it can play a dynamic role to help the growth of handloom industry, evaluate the measures already taken and take corrective steps well in view to ensure speedy and effective development of the industry.
14	1.71	In order that the Handloom Board performs its role more effectively Government should take immediate action to convert the All India Handloom Board into a statutory body as recommended by the Sivaraman Study Team.
15	1.77	The Committee note that although the Sivaraman Study Team had recommended that wherever the handloom population was reasonably large there should be a separate Directorate to look after the handloom sector, no State has so far set up a Directorate to look after the handloom industry exclusively. In some of the States there is a combined Directorate to look after both the handlooms and powerlooms. In other States, the Directorate of Industries is looking after the handloom industry. The Committee feel that in view of the importance of handloom industry and in view of the recommendation made by the Sivaraman Study Team, a separate Directorate of Handlooms should be set up at least in those States where there is sizeable number of handlooms

(1)	(2)	(3)
		so that concerted attention may be given to the development of handlooms.
16	1.78	The Committee further note that 17 States have set up Handloom Development Corporations and in most of the States there is a common Corporation for the Handlooms and Powerlooms. The Committee would like to point out that in view of the diversity of interests of handlooms and powerlooms, there is an apprehension in certain quarters that handlooms may not receive adequate attention at the hands of a common corporation and that funds for handlooms may get diverted to powerlooms. The Committee consider that while setting up Corporations for the development of handlooms, this aspect should be fully kept in view.
17	1.79	The Committee further recommend that the Development Commissioner for Handlooms should maintain continuous liaison with the Handloom Development Corporations in the States so as to ensure that these corporations effectively perform their functions as they are the pivotal agency for the development of handloom industry in the concerned States.
18	2.22	The Committee note that hank yarn is one of the essential inputs for the production of handloom cloth and the availability of hank yarn of requisite counts, quality and in sufficient quantity is an essential pre-requisite for the development of handloom industry in the country and for improving the condition of handloom weavers. However, from the large number of memoranda received from the non-official organisations connected with the handloom industry and the discussion held by the Study Group of the Committee, with the representatives of the non-official organisations and State Governments during on-the-spot visits, it has been noticed that the handloom weavers have

(1)	(2)	(3)
		been experiencing a lot of difficulty in obtaining supplies of hank yarn at reasonable price. The main difficulties experienced by the handloom weavers in regard to supply of hank yarn are that there are frequent shortages of hank yarn, the fluctuations in the prices are very frequent, the yarn supplied to the weavers is of inferior quality and there is large scale movement of bank yarn from one part to another part of the country resulting in heavy transport cost adding to the price of yarn.
	2.23	The Committee are surprised to note that although yarn is the basic raw material required for the handloom industry, Government have no authentic statistics about the requirement of yarn for the handloom weavers and the actual requirements of the yarn for the handloom sector has not been cross-checked with reference to any census or survey of active looms in the country. It has, however, been estimated on the basis of targets fixed for the production of handloom cloth that the present annual consumption of 220 to 230 million kgs. of yarn is expected to go upto to 300 million kgs. per annum by the end of the Fifth Plan. The Committee has already underlined the importance of undertaking a census of the active handlooms in the country on an urgent basis. The Committee further feel that until and unless concerted steps are taken to augment the production of hank yarn on the basis of a time-bound programme to achieve the production target of 300 million kg. of hank yarn by the end of the Fifth Plan, the difficulties of the handloom weavers in regard to availability of hank yarn will further aggravate and would have an adverse effect not only on the production of handloom cloth in the country but on the condition of handloom weavers also.

(1)	(2)	(3)
19	2.24	The Committee further note that in order to increase the production of hank yarn in the country, Government had planned for the setting up of 40 new spinning mills in the cooperative sector—25 of the weavers and 15 of the growers and also for expansion of capacity of 43 spinning mills to 25,000 spendles in the interest of making them viable. The Committee are distressed to note that due to constraints of resources, this programme has been sealed down and against the target of setting up 40 new spinning mills in the cooperative sector only 7 new mills (4 of the growers and 3 of the weaver's are expected to be set up by 1977-78). This clearly shows that the question of augmenting the production of hank yarn in the country has not received the attention that it deserved and if concerted and determined measures are not taken by Government to set up the cooperative spinning mills as per targets already fixed, the handloom weavers will face greater difficulties in procuring the supplies of yarn and the development of handloom industry in the country will be adversely affected. The Committee, therefore, recommend that the programme of setting up of new cooperative spinning mills and expansion of the capacity of existing mills should receive urgent attention of Government and the targets orginally fixed should be adhered to so that the programme for development of handloom industry is not adversely affected.
20	2.25	The Committee also recommend that in setting up new Co-operative Spinning Mills, priority sould be given to the weavers cooperative spinning mills and necessary action taken to ensure that these spinning mills are eligible and able to get the necessary finance and credit from the financial institutions.
21	2.26	The Committee further recommend that Government should look into the genuine difficulties

(1)	(2)	(3)
		of the existing cooperative spinning mills and take immediate action to remove their difficulties so as to help these spinning mills to function efficiently and fulfil the role for which these mills were set up.
22	2.27	Government should also ensure that the co-operative spinning mills give priority to the handloom weavers in the matter of supply of yarn so that these handloom weavers may be able to get assured supply of yarn.
23	2.28	The Committee further note that there have been frequent shortages of hank yarn in the country resulting in considerable hardships to the handloom weavers. In many cases this shortages has been created by unscrupulous manufacturers, middlemen and traders in order to raise artificially the prices of yarn. The Committee further note that at present there are no restrictions on the price and distribution of yarn with the result that a situation of *laissez fairs* prevails in respect of yarn. The Committee feel that in view of the difficulties being experienced in respect of availability of yarn, Government should take measures for bringing some discipline and stability in the availability of hank yarn to the handloom weavers. The Committee recommend that the Handloom Development Corporations where existing and the Apex Societies may be entrusted with the responsibility for distribution of yarn to the handloom weavers.
24	2.29	These Corporations and Apex Societies may also take suitable measures to constitute a "yarn bank" in respect of all types of yarn, which are frequently in short supply, but for which there is an established demand. The question of extending this pattern for distribution of yarn to other States and areas may be considered in the light of experience gained. The

(1)	(2)	(3)
		Committee cannot too strongly stress the need for managing the distribution of yarn and constitution of yarn bank on a most prudent and efficient manner so as to render the services at most competitive and economic cost to inspire and sustain confidence of the weavers and make possible extension of the arrangements to other areas/States on similar lines.
	2.30	The Committee note that in the areas covered by Intensive Development Schemes, a beginning has already been made in the setting up of these yarn banks and Rs. 25 lakhs have been provided in each project area as margin money for setting up these yarn banks. The Committee stress that the yarn banks should be managed efficiently so as to subserve the underlying objective of making available yarn to the weavers at most economic and competitive price and provide a working model for extension of the scheme to other areas having concentration of handloom weavers.
25	2.31	The Committee recommend that Government should also evolve a mechanism by which the prices of yarn required by the decentralised sector particularly the handlooms is fixed for a sufficiently long period, say, six months, so as to save the weavers from the hazards of frequent fluctuation in prices.
26	2.32	The Committee further note that at present there is a large scale movement of yarn from one part of the country to the other resulting in heavy transportation cost and wastage of time. The phenomenon of weavers from Eastern States like Manipur, West Bengal and Bihar purchasing their supply of yarn from distant places like Coimbatore needs to be gone into in depth in order to take suitable remedial measures.
	2.33	While admitting that some of the present imbalance may be due to historical and geographical factors, the Committee feel that Govern-

(1)	(2)	(3)
		ment should implement a time-bound programme to correct this situation. For this purpose, Government should ensure that the new spinning mills are located in those States only where there are a large number of handloom weavers and supplies of hank yarn are not locally available. In setting up these spinning mills, the requirements of weavers regarding the specific counts of yarn should be ascertained and provision made to meet these requirements fully.
27	2.34	The Committee desire that taking into account the requirements of yarn for the decentralised sector, a specific quantity, count-wise and quality-wise, should be earmarked from the existing spinning mills for being supplied to the handlooms. In earmarking the spinning mills for meeting the requirements of yarn in areas, care should be taken to avoid unnecessary cross movement which results in inflating transport charges.
28	2.35	The Committee further note that at present the entire work relating to the production and distribution of yarn is being dealt with by the office of the Textile Commissioner. This organisation has, however, not been able to ensure the production and distribution of hank yarn in the country so as to ensure its availability to the large number of handloom weavers in the country. Now that a separate Development Commissioner for Handlooms has been appointed, the Committee recommend that the Development Commissioner for Handlooms should be associated with the office of the Textile Commissioner for ensuring the production of sufficient quantity of hank yarn of requisite quality and counts in the country and its availability to the handloom weavers. The Office of the Textile Commissioner should continuously make a marketing survey of changes in the requirements of yarn for the handloom weavers, find out distortions in the supplies, if any, and take corrective steps in time.

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29	2.36	The Committee note that the Working Group on Handlooms & Powerlooms in their Report submitted in December, 1972 had pointed out the fact that often the mills were producing inferior quality of yarn for supply to the handloom weavers and there was no law on the statute book under which such violation of quality could be punished. The Working Group had recommended that suitable legislation might be brought forward to plug this loophole. The Committee are greatly disturbed by the lack of conclusive follow-up action on these important recommendations of the Working Group and would like this matter to be thoroughly investigated with a view to fix responsibility. The Committee stress that no further time should be lost in devising adequate machinery for ensuring that not only the requisite quantity is produced by the spinning mills and made available to the handlooms and powerlooms etc. in the decentralised sector, but also that the quality is scrupulously maintained. If it is necessary, the Committee would also like that stringent action should be taking any mill which infringes this provision so as to act as a deterrent to others. If legislative support is required for these measures, necessary action should be taken without further loss of time in order to plug all loopholes which come in the way of making available the requisite yarn in adequate quantity and prescribed quality to handloom weavers.
30	2.43	The Committee note that dyes and chemicals are among the important raw materials used in the production of handloom cloth. As handloom cloth is mainly popular among the people because of its exotic colour combinations, it is essential that the availability of requisite dyes and chemicals of assured quality should be ensured to the handloom weavers. Although it has been claimed by Government that the indigenous capacity for production of dyes and chemical is

(1)	(2)	(3)
		considered well over the demand, from the large number of representations received from persons conected with the handloom industry, the Committee note that the handloom weavers are facing considerable difficulty in getting their supplies of dyes and chemicals in time. It has also been represented that the quality of dyes and chemicals supplied to the handloom weavers is not satisfactory and in many cases adulterated.
	2.44	The Committee note that at present there is no organised system for the supply of dyes and chemicals and there are no statistics in the States as to the requirements of dyes. They further note that the Development Commissioner for Handlooms has asked the State Governments to prepare estimates of requirements of dyes and chemicals. The Committee recommend that Government should collect reliable statistics regarding the requirements of various types of dyes and chemicals for the handloom weavers at an early date and then take concerted steps to step up the production of these dyes and chemicals which are in short supply, if necessary by creating additional capacity. The Committee further recommend that Government should also introduce an organised system of supply of requisite dyes and chemicals to the handloom weavers by arranging bulk supplies from the manufacturers to the State Handloom Corporations and Apex Institutions and therefrom to the handloom weavers.
31	2.45	The Committee suggest that in keeping with this Government objective and having regard to the requirements of the handloom weavers for dyes and chemicals in smaller quantities. Government may prescribe that the leading manufacturers of dyes and chemicals should market their products in small packages with ISI specifications, date of manufacture, contents etc. so as to make it possible for the handloom weavers to get guaranteed dyes and chemicals without hav-

(1)	(2)	(3)
		ing to buy them in smaller quantities from open packages which are liable to adulteration and other mal-practices.
32	2.53	The Committee note that at present the handloom weavers are facing considerable difficulty in regard to processing facilities and these weavers particularly small handloom weavers have to get their yarn dyed through middlemen as a result of which there is a lot of exploitation of these weavers. The Committee feel that provision of dye-houses and other processing facilities is absolutely necessary for the promotion of handloom industry in the country. The Committee, therefore recommend that Government should undertake a time-bound programme for setting up dye-houses and other processing facilities in all those areas where there is concentration of handloom weavers so that the handloom weavers could avail of these facilities at reasonable charges.
33	2.54	The Committee have in Part II of their Report on Powerlooms discussed how in Maharashtra the Marathwada Development Corporation and its associate Textile Corporation of Marathwada Ltd. (TEXCOM) have provided all such facilities for powerlooms under their jurisdiction in Aurangabad. The Committee have also noted that similar facilities have been provided for the powerlooms on a cooperative basis in Ichalkaranji. The Committee recommend that Government should undertake a programme of providing such common facilities to the handloom sector also and incentives could be provided to the handloom cooperatives in different States to set up their own dye-houses and processing houses on cooperative basis.
34	2.55	The Committee find that in some of the Weavers' Service Centres facilities for dyeing

(1)	(2)	(3)
		have been provided in an integrated manner. The Committee recommend that since dyeing is an essential process for improving the value of handlooms, it should be made an essential complement to the weavers service centres. Duty should also be cast on the service centres to encourage the setting up of processing and dyeing facilities in a cooperative manner in areas where handlooms exist in sufficiently large numbers.
35	2.56	The Committee have separately dealt with the importance of extension services by the Weavers' Service Centre and evaluation of their work by this yardstick. Giving assistance to the weavers in the matter of processing the dyeing and in setting up of common processing and dyeing centres may also be considered as a part of this yardstick to evaluate their working.
36	2.57	The Committee also note that the Intensive Development Programme for handlooms makes a provision for setting up of common processing and dyeing facilities. The Committee stress that these processing and dyeing centres should be developed *ab initio* on scientific lines so as to make for the willing acceptance of the facility by the weavers and for its being adopted as a model in other areas. The Committee cannot too strongly stress the need for ensuring that the processing and dyeing facilities provided there should be the latest, most modern and forward-looking and should be economical to encourage their fuller use.
37	3.80	The Committee note that provision of adequate credit facilities to the handloom weavers is one of the essential requisites for the working and development of handlooms in the country. As the handloom weavers belong to the economically weaker sections of society and

(1)	(2)	(3)
		require finance for purchase of yarn dyes and chemicals and for carrying on their production till their products are marketed, they generally depend upon the master weavers for the provision of requisite finance who not only charge exorbitant rates of interst but also exploit these weavers in many other ways. The Committee feel that if these handloom weavers are to be saved from exploitation, suitable channels of providing adequate credit facilities to them on liberal terms will have to be provided and proper employer-employee relations should be established between weavers and factory owners Master Weavers.
	3.31	The Committee, however, note that at present, the credit facilities to the handloom weavers are totally inadequate. Only a small percentage of the credit requirements of weavers are being met through organised channels like loans under the Reserve Bank of India Scheme for Handloom Finance and Commercial banks etc. As has been admitted by the representative of the Department of Textiles in his evidence before the Committee, against an estimated annual credit requirements of Rs. 300 crores only Rs. 25 crores to 26 crores are being provided, Rs. 20 crores by the Reserve Bank of India and Rs. 5 crores by the commercial banks. The Committee are distressed to note that hardly 10 per cent of the credit requirements are being met by financial institutions and for the remaining credit, the handloom weavers have to depend on master weavers or money-lenders. The Committee would like to point out that as the measures taken by Government for the removal of rural indebtedness are likely to dry up the credit from non-institutional sources, special arrangements will be required to meet the credit needs of the weaker sections like handloom weavers and concerted efforts will have

(1)	(2)	(3)
		to be made to meet their requirements from the cooperative structure and the commercial banking sector, including regional rural banks. The Committee recommend that Government should step up considerably the present arrangements for providing credit facilities to the handloom weavers so that their credit requirements may be met by the financial institutions and the dependence of the handloom weavers on the master weavers may be greatly reduced if not altogether eliminated. The Committee would like Government to prepare a well-thought out detailed programme for meeting the credit requirements of the handloom weavers by institutional finance and evaluate the progress of this programme periodically.
38	3.32	The Committee note that at present the main source of providing credit facilities to the handloom weavers is through the Reserve Bank of India Scheme of Handloom Finance under which Reserve Bank of India loans are given to handloom cooperative societies at 1½ per cent below the bank rate. The Committee, however, regret to observe that a large majority of the cooperative societies in the country have not been able to take advantage of this facility for one reason or the other and as much as 97.2 per cent of the total loans granted have been availed of by four States only *viz.* Tamil Nadu, Andhra Pradesh, Kerala and Maharashtra.
	3.33	The gross inequity and imbalance in the drawal of loan under RBI scheme of Handloom Finance is evident from the fact that during the year 1971-72 to 1975-76 while Tamil Nadu and Andhra Pradesh with 5.50 lakhs and 5.97 lakhs handlooms drew Rs. 6,643.85 lakhs and Rs. 1903.69 lakhs respectively, U.P. with 5.09 lakh handlooms drew Rs. 25.88 lakhs only under this scheme. Further, while Maharashtra with 1.85 lakh handlooms drew Rs. 784.90 lakhs, Rajasthan

(1)	(2)	(3)
		and West Bengal with 2.01 lakhs and 1.85 lakh handlooms drew Rs. 4.73 lakh and nil respectively during the same period.
	3.34	It was explained by the representative of the Reserve Bank of India that they had prescribed certain norms for giving credit like the operational efficiency of the handloom industry, the total production-cum-sales of the society, etc. They also felt that it was no use making finance available to sick units which may not be able to utilise properly the funds.
	3.35	In this connection the representative of the Department of Textiles informed the Committee that this uneveness in the flow of Reserve Bank finance is not peculiar to the handloom cooperative sector. In the agricultural cooperative sector, for instance, five States *viz.*, Punjab, Maharashtra, Gujarat, Tamil Nadu and one more practically account for 80 per cent. The Committee are unhappy at the gross imbalance in the flow of Reserve Bank credit to the handloom weavers in the various States. As has been pointed out above there are a number of other States like Uttar Pradesh, Bihar, West Bengal and Rajasthan which have a very large number of operative handlooms but where the credit drawn is negligible. The Committee would have normally expected the Reserve Bank to evaluate, after a lapse of 5 years, the working of their scheme of handloom finance which was started in 1956, with a view to identify the reasons why the benefits of the scheme were availed of by a few States only and taken suitable remedial measures in consultation with the State Governments concerned to ensure that the credits made available under this scheme are equitably drawn by all the States more or less in proportion to the existence of operative handlooms in their

(1)	(2)	(3)
		areas particularly when finance has been a major bottleneck in the development of handloom industry. It is unfortunate that this was not done so far. It is distressing to note that similar position prevails in the flow of Reserve Bank finance in respect of other areas also, like agricultural cooperative sector. The Committee would like Government/Reserve Bank of India to undertake an indepth study of the problem of uneven flow of their bank credits under the various schemes to the various States and ensure that the credit under these schemes are availed of by the various sectors in the different States in proportion to magnitude of the problem existing therein. Whatever remedial measures are required to achieve this end, like strengthening of infrastructure etc., should be taken in consultation and coordination with the State Governments concerned. The Committee are of the view that the States which are organisationally weak in taking advantage of the schemes floated by the Centre or the Resrve Bank etc. should receive special attention so as to remove this lacuna. The Committee would like to be informed of the specific steps taken to improve the condition in this regard particularly for the handloom sector within a period of three months.
39	3.36	The Committee have separately discussed in detail the reasons for the handloom cooperative societies becoming sick or dormant and suggested measures for revitalising them. Now that the Government have undertaken a programme for revitalisation of the dormant and sick societies, the Committee recommend that Government should take concerted measures to help these societies and make credit available to them so as to make these societies financially viable and in a position to conform to the requirements of the norms prescribed by the Reserve Bank of India.
40.	3.37	The Committee further note that one of the

(1)	(2)	(3)
		other reasons why the cooperative societies have not been able to avail of the credit scheme of the Reserve Bank of India is that office-bearers of these societies are not acquainted with the procedure and norms for the grant of such loans. The Committee recommend that Government, in cooperation with the Reserve Bank of India should initiate a time-bound programme of training for the office-bearers of these societies so as to acquaint them with the procedural formalities and norms prescribed by the Reserve Bank of India. The Committee further recommend that the field staff of the Directorate of Handlooms and the Coopeartive Departments in the State Governments should also assist these cooperative societies in filling up the application forms and fulfil other procedural requirements so as to enable these societies to get loans from the Reserve **Bank.**
41	3.38	The Committee further note that the Government of India have issued a circular in November, 1976 to State Government to form State-level committees consisting of Director of Handlooms, the Registrar of Cooperative, the Managing Director of State Cooperative Bank and the Managing Director of the Apex Handloom Society to review the implementation of the programme of providing finance to Handloom cooperatives. The Committee feel that the formation of such State-level Committees is a step in the right direction. The Committee recommend that Government should ensure that such Committees are set up in all the States immediately, if not already done and should hold regular meetings and review the progress made in the implementation of this programme so that bottlenecks in the way of providing such finance may be quickly identified and timely corrective measures to plug the loopholes taken. The Committee would like to be informed of the progress made in this regard. The Government should also look into the procedures

(1)	(2)	(3)
		laid down for grant of loans with a view to simplify them. The Committee would like to be informed of the progress made in this regard.
42	3.39	The Comittee note that under the Reserve Bank of India scheme for Handloom Finance, loans are being given by the Reserve Bank of India to State Apex Cooperative Banks at 7½ per cent and State Apex Cooperative Banks pass on these loans to Central Cooperative Banks at the same rate. The State Governments are, it is stated, giving subsidy to these banks to meet their cost and provision for this subsidy is made in the State annual plans. The Central cooperative Banks are required to give finance to handloom weavers under RBI scheme at 7½ per cent. Generally this rate is being charged but in certain States rate of interest charged is higher because of the incidence of interest tax which amounts to about 1 per cent. The Committee are informed that it has now been decided in consultation with the Planning Commission that higher subsidy may be given to the Apex and Central Cooperative Banks to off-set the incidence of interest tax being passed on to weavers. The Committee would like Government to keep this matter under constant watch to ensure that the rate of interest charged from Handloom weavers under the RBI scheme does not exceed the prescribed rate of 7½ per cent in any State.
43	3.40	The Committee are, however, concerned to note that the rate of interest being charged by Central Cooperative Banks for loans advanced to weavers out of their "Own" funds is very high, the rate ranging from 9 to 16 per cent in certain States. The Committee feel that the Government should study this matter in depth in consultation with the States and persuade these Banks to bring down the rate of interest to a level which

(1)	(2)	(3)
		should be equitable and reasonable keeping in view to poor economic condition of the handloom weavers.
44	3.41	The Committee note that at present Reserve Bank of India is granting loans at the rate of 25 per cent of the annual turnover of a society. It has been represented to the Committee that as the demand for handloom cloth is mostly seasonal in nature, this limit should be increased to 40 per cent. The statistical information gethered by the office of the Development Commissioner for Handlooms also shows that by and large, the estimate of 4 times of turnover during a year, is unrealistic. The Committee, therefore, recommend that the Reserve Bank of India re-examine the position in the light of statistical information collected by the Office of the Development Commissioner for Handlooms and take steps for increasing the credit limit to 40 per cent of the previous year's turnover.
45	3.42	The Committee recommend that steps should also be taken for providing credit on an *ad hoc* basis to the handloom cooperative societies during slack season so that these societies may tide over their temporary difficulties and the production may not suffer because of accumulation of stock and consequent shortage of capital.
46	3.43	The Committee note that there have been considerable delays at the level of district cooperative banks in granting loans to handloom weavers societies as most of these banks are controlled predominantly by agricultural interests and the handloom sector is not given due importance by these district cooperative banks. The Committee, therefore, recommend that there should be a separate cell in every district cooperative bank under a separate officer to deal with the handloom weavers cooperative societies and this cell should ensure

(1)	(2)	(3)
		that there are no undue delays in the grant of loans to handloom weavers. The State Directorates of Handlooms should maintain continuous liaison with Handloom Cells in the District Cooperative Banks to ensure that these cells function effectively and any difficulties experienced in the working of these cells are removed expeditiously.
47	3.49	The Committee note that the Reserve Bank of India Scheme of Handloom Finance is applicable only to the cooperative sector and as more than 70 per cent of the handloom weavers are outside the cooperative sector, the only sources of finance available to them are the Nationalised Banks or the private money-lenders. Because of the various legislations passed by the Government, it is becoming increasingly difficult for the handloom weavers to obtain finance from private money-lenders and they have to depend increasingly on the nationalised banks for meeting their credit requirements. However, the Committee note that handloom weavers have not been able to get loans from the nationalised banks in large numbers because of the procedure adopted by these banks and also because the handloom weavers being uneducated and poor are not in a position to offer adequate security or fulfil other procedural formalities. The Committee, further recommend that Government should impress upon the nationalised banks to simplify their procedure so that even the poor and uneducated handloom weavers may be able to get credit facilities from these banks. Moreover, the field staff of the Directorate of Handlooms in the States as well as the Banks should assist the handloom weavers in filling up the application forms and complying with other procedural formalities so that maximum number of handloom weavers may avail of the credit facilities from these banks.
48	3.50	This is a widespread feeling that the attitude of the bank officials is unhelpful to the handloom

(1)	(2)	(3)
		weavers. The Committee recommend that Government should make sure that bank authorities are made to adopt a helpful and favourable attitude towards the weavers in the matter of grant of loans.
49	3.51	The Committee note that at present while handloom weavers in certain districts where DRI rate is applicable are getting loans at 4 per cent rate of interest, in order districts the handloom weavers get loans at 12 to 14 per cent rate of interest which turns out to be much higher in actual practice. As handloom weavers belong to the weaker sections of society, and face similar problems throughout the country, the Committee fail to understand the logic behind this difference in the rate of interest charged from the handloom weavers. The Committe are not convinced with the argument advanced by the representative of the Department of Banking that there has been similar demand from other sectors, and if the number of categories increase, it will be difficult for them to agree to this demand. The Committee recommend that as the handloom weavers throughout the country belong to the weaker sections of the society and as the development of handloom sector has been given priority in the country's economic programme, they may be granted loans more extensively by nationalised banks at the rate of 4 per cent. The Committee also recommend that the total bank credit to be given under DRI Scheme should be raised in order to cover the handloom weavers in all the States.
50	3.55	The Committee note that as handloom weavers belong to the weaker sections of the society, they are not able to obtain adequate loans from the commercial banks as they are not always able to offer requisite security against these loans. The Committe are glad to note that recently some of the State Governments like Haryana and U.P.

(1)	(2)	(3)
		have evolved a scheme known as Group Guarantee Scheme under which the handloom weavers are not required to give any individual security and the loans are given to a group of 5 or 6 weavers on group guarantee basis. The Committee further note that in these States loans have already been distributed to handloom weavers under this scheme. The Committee feel that this is a useful scheme. The Committee would like Government to make a study in depth of the working of this scheme and evaluate its working and if the results are found encouraging, steps should be taken to get similar comparable schemes introduced in other States also so that poor handloom weavers who cannot offer individual security may be able to obtain loans from commercial banks in large numbers.
51	4.27	The Committee note that most of the handloom weavers are still using obsolete and outdated techniques of production and designs and their products are not in accordance with the latest designs and market trends. The Committee feel that until and unless concerted measures are taken for imparting know-how to the handloom weavers in the latest techniques of production and use of new designs it may not be possible to raise the volume and value of products of weavers and assure them a living wage. The Committee are surprised to note that Government have not so far conducted any survey of the handlooms and the weavers in the country so as to devise a scientific plan for upgrading the technology and imparting know-how to the weavers. The Committee recommend that such a survey be conducted immediately and based on it a plan of action should be drawn up by the Central Government in conjunction with the State authorities at an early date.
52	4.28	The Committee note that Government have set up 14 weavers service centres and 2 Institutes

(1)	(2)	(3)
		of Handloom Technology to meet *inter alia*, the training needs of the handloom weavers and to evolve new designs and patterns. The Committee are surprised to note that only 7 out of 14 Weavers Service Centres are imparting short-term training to handloom weavers and all these centres have been able to train only 68 weavers during the year 1975-76. This clearly demonstrates that very little importance has been given to the training of handloom weavers in the activities of weavers Service Centres and hardly two or three weavers are being trained in these centres at one time. In view of the fact that there are as many as 35 lakh handlooms in the country, the Committee feel that the present training arrangements are woefully inadequate and have not been able to touch even a fringe of the problem of training of handldoom weavers. The Committee recommend that Government should immediately take steps to introduce training courses in all the Weavers Service Centres and substantially increase the intake of trainees in these centres so that a real impact may be made in meeting the training needs of the handloom weavers.
53	4.29	The Committee note that the Weavers Service Centres have been evolving new designs and samples, colour-combinations etc. for the use of handloom weavers and during the last year, the Weavers Service Centres had produced 7,900 new designs and 5,697 new samples. It has, however, been noted that Government have no ready information available regarding the number of new designs adopted by the weavers, production of fabrics based on these new designs and increase in the earnings of weavers as a result of adoption of these new designs. However, it has been noted from the representations received from the non-official organisations that adequate arrangements for encouraging the weavers to adopt these design do not exist and most of the new designs and

(1)	(2)	(3)
		samples have not percolated to the actual weavers. The Committee would like to point out that Government are spending as much as Rs. 61.71 lakhs every year on the working of the weaver's service centres. The real utility of the working of these centres will be judged by the extent to which these designs are actually taken to the weavers in the field and used by them. The Committee, therefore, feel that weavers service centres should not only lay emphasis on evolving new designs but should also ensure that designs are actually adopted by the weavers in the field.
54	4.30	The Committee note that at present the staff of the Weavers Service Centres is not going out to actual weavers to render technical service but there is a proposal under consideration that in some of the Centres some members of the staff of the centres will work wtih specific group of weavers. The Committee would like to point out that provision of extension work by these centres is the heart of the matter and should receive topmost priority. The Committee, therefore, recommend that Government should make immediate arrangements for the staff to provide extension service to the weavers on the same line as is being provided by agricultural universities|farms to the farmers.
55	4.31	The Committee note that at present there are no inbuilt incentives for the staff of the Weavers Service Centres to encourage them to take these designs to the actual weavers or in the field. The Committee recommend that Government should take immediate measures to provide such suitable incentives for the presonnel working in the Weavers Service Centres to ensure that they carry the new designs and varieties evolved by them to the weavers in the field. The Committee further feel that the staff in these

(1)	(2)	(3)
		centres should be recruited in the first instance on contract tenure basis and their retention/confirmation should depend on their actual performance and the extent to which they are able to provide technical assistance to the actual weavers.
56	4.32	The Committee further recommend that the Weavers Service Centres should hold exhibitions and demonstrations of the latest designs and samples in all the clusters of handloom weavers where handloom weavers should be invited to come in large numbers and get themselves acquainted with these designs and samples.
57	4.33	The Committee note that no independent assessment of the working of these Weavers Service Centres has been made by Government so far and only the progress reports of these Centres is being received in the office of the Development Commissioner for Handlooms. The Committee feel that as some of these centres are quite old and well-settled, it is high time that Government should get the working of these centres evaluated by an independent body. It should be the task of this body to point out deficiencies and shortcomings in the working of these centres so that remedial measures may be taken by Government to remove these deficiencies at an early date. The Committee further recommend that such evaluation of these Centres should be done at regular intervals.
58	4.34	The Committee note one of the most important handicaps noticed in the working of these centres is that most of these centres are located in big cities which are situated far away from the cluster of handloom weavers. Moreover, as most of these centres are housed in

(1)	(2)	(3)
		rented buildings because of the difficulties in getting suitable accommodation in big cities, the present accommodation is not suitable for their purpose. The Committee recommend that Government should set up Weavers Service Centres in the localities where there is large concentration of handloom weavers. Government should also ensure that these centres are provided with suitable accommodation for the various activities undertaken by the Weavers Service Centres.
59	4.35	The Committee note that one of the handicaps of the Weavers Service Centres is that there are a number of vacant posts in these Centres, as suitable candidates are not available for appointment to these posts. The Committee recommend that Government should take immediate steps to fill up these posts by advertising widely in national newspapers etc. Moreover, immediate steps should be taken for training of students in the specialities, for which there is shortage of candidates in the Institute of Handloom Technology so that shortage in these specialities is removed as early as possible and sufficient number of suitable candidates are available in the country to fill up these posts.
60	4.36	The Committee feel that the Weavers Service Centres have not been successful either in their training programmes or in other sphere of their activities. In their opinion, therefore, a radical reorganisation of these Centres is called for if the objectives for which they were set up are to be achieved.
61	4.46	The Committee note that there are two Institutes of Handloom Technology at Varanasi and Salem run by the Government of India and these Institutes are imparting short-term training for four months and a regular 3-year Diploma Course. The Committee are surprised to

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		note that although these two Institutes are catering to the training needs of the entire country, the number of students being admitted to these Institutes is very limited. For instance, although the Institute at Varanasi caters to the States in Northern and Eastern India, the total number of students admitted is only 20 for the diploma course. Similarly, the Institute at Salem which caters to all the States in the South and Maharashtra and Gujarat admit only 32 students every year. The Committee feel that these Institutes are meeting only a fraction of the total requirements of the handloom industry. The Committee further note that there is a tremendous demand for these courses in the country. The Committee, therefore, recommend that Government should take immediate steps to expand the admission capacity of these Institutes so that these may meet the training needs of the handloom industry to the maximum possible extent.
62	4.47	The Committee further note that in the courses of these Institutes, more attention is being paid on the technical aspects with particular emphasis on practical training. While agreeing that emphasis should be given for practical training in the Institutes, the Committee recommend that the syllabus of training should be widened so as to include training in the fields of management, finance, cooperatives etc. so that the trainees may have a wide knowledge of different aspects of the handloom industry and provide leadership to the cooperative movement of handloom weavers.
63	4.48	The Committee further note that although there are about 160 students belonging to different States in the Institute at Varanasi, the hostel has an accommodation for 32 students only. In the Salem Institute no hostel facilities are available. The Committee feel that as these Institutes are admitting students from different

(1)	(2)	(3)
		States, it is imperative that arrangements be made to provide hostel accommodation for the students. The Committee recommend that Government should take immediate steps to provide hostel facilities for the students at these Institutes.
64	4.59	The Committee note that use of obsolete and outdated looms and appliances is one of the main reasons for the low productivity and consequent poverty of the handloom weavers. The Committee are surprised to note that even today 80 to 90 per cent of the handloom weavers in the country are using pitllom and most of these looms are being operated on throw shuttle where not only the productivity is low but considerable strain is put on the operator. The Committee are further surprised to note that Government have no statistics regarding the number of different types of looms used by the handloom weavers in different States and except isolated attemps made in some of the States for conversion of looms, no overall scheme has been formulated and implemented by Government for the conversion of looms into modern and uptodate looms so as to increase the productivity and the earnings of the large number of handlom weavers in the country. The Government have no statistics even about the number of weavers who have adopted new and modern types of handlooms.
	4.60	The Committee agree that as the working conditions and the nature of products differ in different regions and States and as most of the handloom weavers work in their homes where there is limitation of space, it may not be possible to evolve a single design of loom which may be suitable throughout the country. The Committee would, however, like to point out that

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		even by making slight modifications and alterations in the existing looms, production can be considerably increased and strain on the handloom weavers considerably reduced. For example, by converting throw shuttle rooms into fly shuttle looms which occupy practically the same space, appreciable increase in production and reduction in strain on the handloom weaver, can be achieved. The Committee, therefore, recommend that as the Government is already conducting surveys of the handlooms in the country, authentic statistics regarding the number of various types of looms in the different States should be collected. After that a time-bound programme for effective improvements in these looms as well as for conversion of looms according to local conditions should be prepared and implemented expeditiously so as to ensure increase in productivity and income of the handloom weavers.
65	4.61	The Committee further recommend that Weavers Service Centres and Institutes of Handloom Technology in the country should conduct intensified research to evolve standard designs of looms suitable for local conditions in different regions which could ensure maximum productivity. After test-checking the designs of these newly evolved looms, Government should take concerted measures to popularise these looms among the handloom weavers by giving proper publicity, demonstrations and incentives so that the handloom weavers may be motivated to adopt these looms in the shortest possible time. Suitable training should also be arranged at the weavers service Centres and Institutes for the weavers to make item acquainted with the working of these new looms. Arrangements should also simultaneously be made for the manufacture of such looms locally to ensure easy availability at competive prices.

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66	4.62	The Committee would like to emphasise that most of the handloom weavers are extremely poor and it is not possible for them to invest considerable amount of money for the purchase of these new looms. The Committee therefore, recommend that Government may devise suitable practical scheme which would make it possible for a genuine poor weavers to go in for improved loom and pay for it in easy instalments. Arrangments may be made with the nationalised banks|State Handloom Corporations and other financial Institutions for the grant of loans to handloom weavers on group guarantee basis for the balance amount to enable them to purchase these looms. The Committee have, no doubt, that with the adoption of improved looms and technology, assured marketing and enforcement of reservation it should be possible to provide continuous employments to handloom weavers which would result in increased productivity and ensure a fair and living wage to the vast majority of handloom weavers in the country.
67	5.24	The Committee note that as most of the handloom weavers in the country belong to the economically weaker sections of society they are at the mercy of the master weavers who exploit these weavers not merely by charging exhorbitant rate of interest on the loans advanced to them for purchases of various inputs but also by purchasing their products at cheap rates. It has been widely accepted that the best way in which the handloom weavers can be saved from the exploitation of the master weavers is by organising them into economically viable cooperatives which can serve both as production-cum-marketing units. The Committee, are, however, concerned to note that the cooperative structure in the handloom sector

(1)	(2)	(3)
		is not in a very healthy condition. Firstly, the cooperative societies of the handloom weavers cover a small percentage of small weavers, and secondly, majority of these cooperative societies are either defunct or dormant. The seriousness of the problem can be judged by the fact that as many as 94.5 per cent of the societies in Rajasthan, 81.05 per cent in Assam, 66.8 per cent in Uttar Pradesh, 66.6 per cent in Mizoram, 53.8 per cent in Nagaland, 51.9 per cent in Karnataka and 48.6 per cent in Bihar are dormant. It has also been admitted by the Development Commissioner for Handlooms in his evidence before the Committee that except in Tamil Nadu and to some extent in Andhra Pradesh, the cooperative societies in other States exist by and large on paper only. The Committee feel that this is an extremely unsatisfactory state of affairs and needs to be remedied immediately.
	5.25	The Committee note that the main reason of the handloom weavers not coming forward to join the cooperative societies is that there are no additional benefits or substantial incentive available to the handloom weavers for becoming the members of the cooperative societies. The only benefit available to the handloom weavers by becoming the members of the cooperative societies is that these societies are able to get finance from the Reserve Bank of India at 1½ per cent below the bank rate. However, as most of the societies are either dormant or not economically viable or their accounts are not audited in time these societies are not able to take advantage of the Reserve Bank of India Scheme of Handloom finance. Moreover, it has been admitted by the Development Commissioner for Handlooms that the individual weavers in the Intensive Development Projects are getting more loans and greater facilities than the weavers under the cooperative

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		sector. The Committee feel that until and unless the handloom weavers are offered sufficient incentives to become members of the societies and these societies provide an assured supply of inputs like yarn, finance, dyes and chemicals as well as marketing of their products, they would not be attracted to become members of these cooperative societies. The Committee recommend that the Government should prepare a package of incentives like supply of yarn and other inputs at liberal terms and assured marketing channels to the cooperative societies and above all facilitate the smooth and efficient working of these societies by encouraging them to become viable units and employing well trained persons of integrity and experience to work as Secretaries, Accountants etc.
68	5.26	The Committee note that one of the main reasons for the unsatisfactory working of the weavers cooperative societies is that most of the office-bearers of these societies are not acquainted with the rules and regulations and elementary economics regarding the working of these societies with result that these societies run into losses and become dormant. While there are some arrangements for the training of the office-bearers of the cooperative societies, these facilities are inadequate and have been able to touch no more than the fringe of the problem. The Committee recommend that Government should draw up and implement training programmes for Managers, Secretaries and Accountants of the Cooperative Societies so as to provide training facilities for the requisite number of personnel as per a time bound programme and covering theoretical and practical aspects of the subjects of direct relevant to cooperatives.
69	5.27	The Committee further recommend that the scheme for grant of managerial subsidy for the

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		first 3—5 years of a cooperative needs to be implemented in letter and spirit so as to encourage the societies to employ qualified personnel from the very inception and thus place the organisation on healthy lines, if they are to be made really successful.
70	5.28	The Committee further note that another reason for the unsatisfactory working of the handloom cooperative societies is that the accounts of these societies are not being regularly audited. The result is that these societies are not able to get finance from the Reserve Bank as submission of audit report is a pre-condition for the grant of such loans. Moreover, in the absence of regular and timely audit, the chances of irregularities including misappropriation and embezzelement are greatly accentuated. The Committee are surprised that the audit of accounts of as many as 1,111 societies in the weavers sector alone were pending for more than 2 years and the number was very large in the case of other types of societies like marketing societies, credit societies etc. The Committee further note that in many cases, although the societies are ready to get their accounts audited, the auditors from the office of the Registrar of Cooperatives do not conduct the audit for considerable time. The result is that these cooperative societies suffer as in the absence of audited accounts, they are not able to obtain credit at concessional rate under the Reserve Bank Scheme. The Committee desire that this unsatisfactory state of affairs should be rectified urgently.
71	5.29	Apart from organising the audit by Registrars more efficiently, the Committee would like Government to examine whether the large cooperative societies could not be allowed to have their accounts audited by Chartered Accoun-

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		tants who could be specifically approved if necessary, for this work. The Committee attach considerable importance to this matter and would like to be informed within six months of the concrete measures taken to rationalise and expedite the auditing of accounts of weavers cooperative societies, so that this work do not remain in arrears.
72	5.30	From the representations received from a number of non-official organisations and individuals connected with the handloom cooperatives, the Committee note that another reason why handloom weavers are reluctant to join the cooperatives is that the procedure regarding the working of these societies is quite complicated and as the vast majority of the handloom weavers are illiterate, they are not able to follow this complicated procedure. The Committee, therefore recommend that Government should review the procedure regarding the working of the cooperative societies urgently and take suitable steps to simplify the same to the maximum possible extent. The Committee further recommend that Government may prepare a model Cooperative Bill containing this simplified procedure and circulate the same to the State Governments for their information and guidance.
73	5.31	The Committee stress that the Government should attach utmost importance to the strengthening of Cooperative movement among the handloom weavers as it is only through Cooperatives that lot of handloom weavers can be improved and they can be saved from exploitation. The Committee recommend that Government should not only provide all assistance and encouragement to the handloom cooperatives but also depute dedicated officers with missionary zeal to organise and guide the co-

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		operatives and also enlist the active involvement of non-official agencies in the task.
74	5.40	The Committee note that the High Powered Study Team on the problems of handloom industry (Sivaraman Team) had recommended that by the end of 1978-79, target for coverage of weavers in the active cooperative societies should be 60 per cent of the total and that the recommenation has been accepted by Government. The Committee were informed during evidence (December, 1976) that out of 35 lakh handloom in the country (nearly 40 lakhs according to latest figures till 1976-77), around 10 lakhs (12.4 lakhs according to latest figures) were covered by cooperatives "on paper at least", but the number of handlooms under active cooperative coverage was only 4.5 lakhs which works out to less than 15 per cent of the total handlooms in the country. Thus the actual programme for increasing the cooperative coverage amounts to increasing it from the present figure of 15 per cent to 60 per cent during the two years 1977-78 and 1978-79 which is quite a colossal and challenging task. The Committee are distressed to find that, as against a target of coverage of 60 per cent weavers under the cooperative by the end of 1978-79, the coverage upto the end of 1976-77 was stated to be only about 15 per cent. From this the Committee cannot but conclude with regret that after accepting the target of 60 per cent, effective steps were not taken to achieve it. The Committee are very unhappy at this woefully slow progress in this very important field and desire that this matter may be thoroughly investigated with a view to identifying the reasons for this dismel progress and revitalising the organisational structure at Central and State levels and devising remedial measures so as to ensure that at least hereafter the rate of progress is high enough to achieve the target at the earliest. The Committee would also like government to fix time bound targets from

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		year to year and moniter the progress in all the States and take timely measures to remove bottlenecks so as to avoid any further slippage. Needless to say, the achievement of the target will call for redoubled efforts on the part of Governments at the Centre and the States as also the active cooperative of non-official organisations.
75	5.41	The Committee would like to point out that Government should make a detailed study to find out the reasons for the large number of handloom cooperative societies becoming inactive or dormant and take remedial measures to remove these deficiencies so that the same may be avoided in future. The Committee feel that unless and until the causes of these societies becoming dormant are identified and remedial measures taken, no programme for revitalising the cooperative societies can become effective as there will be every likelihood of these new societies again becoming dormant or inactive in a few years. Government should also evolve a comprehensive programme of reorganising the existing dormant or inactive societies into viable units by amalgamating or reorganising these societies and bring them on sound economic footing. As any programme for the revitalisation of these societies will necessarily depend upon local conditions, the Committee recommend that the strategy involved for the revitalisation of the societies should take into consideration local conditions in each State.
76	5.42	The Committee would like to point out that the main factor responsible for the cooperative societies becoming inactive is bad management, shortage of inputs and marketing facilities. The Committee recommend that Government should have a sample survey conducted through an independent body of experts to find out the factors responsible for this state of affairs of co-

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		operative societies and ensure that such elements as are responsible for bringing these societies to such a sorry state should not be allowed to hold a position of responsibility in the cooperative societies. The Committee also feel that whenever, a society becomes inactive, the matter should be immediately investigated with a view to fixing responsibility. Government should also take suitable measures to ensure the supply of regular inputs and marketing channels for these cooperative societies. Government should also ensure with the assistance of National Cooperative Development Corporation and other financial institutions that the share capital of these cooperative societies is strengthened and brought on sound financial footing.
77	5.50	The Committee note that a number of State Governments have set up Handloom Development Corporations in the States for the development of handlooms. It has been represented that there is a fear in the minds of the cooperatives in these States that the setting up of these Corporations will adversely affect the growth of handloom cooperative as these Corporations will enter into competition with the cooperatives and retard the growth of the cooperative movement. The Committee further note that the Central Government have not issued any guidelines to the Handloom Corporations with regard to their functioning *vis-a-vis* the handloom weavers cooperatives. The Committee feel that it is high time that Government should ensure that the working of these Handloom Development Corporations should not in any way affect the growth of cooperative movement in the handloom sector. The Committee, therefore, recommend that Government should immediately issue comprehensive guidelines regarding the working of these Handloom Development Corporations to

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		ensure that these Corporations work in close liaison with the cooperative societies in the area and there is no avoidable duplication of efforts.
78	5.51	The Committee further recommend that in all those areas where there is a strong cooperative structure, the implementation of the Intensive Development Projects should also be undertaken with the help of the cooperative societies. In other areas where the Cooperative structure is weak, this responsibility may be passed on the cooperative societies as soon as the cooperative structure is adequately strengthened.
79	6.17	Marketing may well be described as the most essential pre-requisite for successful implementation of the development programme of the handloom industry. The frequent crisis felt in the handloom industry due to accumulation of stocks of handloom cloth resulting in distress to handloom weavers clearly resulting in distress to handloom weavers clearly undelines the need for improving the marketing for the handloom products. As the production of handloom products is envisaged to be increased from the present level of 2200 million metres to 3000 million metres by the end of Fifth Five Year Plan and most of the increased production will be in varieties other than dhotis and sarees where the marketing problem is not so acute, the problem of marketing of handloom products will assume still more serious proportions until and unless a more energetic and well planned marketing strategy for the sale of handloom products is adopted. The Committee, therefore, recommend that if any substantial improvement is to be made in the condition of handloom industry and lot of handloom weavers, Government should take concerted measures for improving the marketing arrangements for the handloom products and to so regulate the price structure that the handloom products do not suffer in competition from other products.

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80	6.18	The Committee note that at present only 10 per cent of the handloom products are being marketed through organised channels and for the rest, the handloom weavers depend upon themselves with the result that considerable time has to be spent by them in the marketing of their products and more often than not they are faced with the problem of accumulation of stocks resulting in distress sales and considerable hardships to them. The Committee, therefore recommend that Government should evolve a strategy and prepare a time-bound programme to increase the marketing of handloom products through organised channels so that the handloom weavers may be assured of the marketing of their products. The Committee recommend that for this purpose an economic and business like mechanism should be evolved in which the Cooperative Societies of handloom weavers, should play a pivotal role in ensuring the supply of yarn to the handloom weavers at fixed rate and purchasing the finished products and arranging for its marketing at sales depots at various places. These sales depots should also keep the handloom weavers informed about the latest consumer preferences and demands so that their products conform to the market trends and no difficulty is experienced in the marketing of these products. The Committee further recommend that pilot projects on these lines in selected district towns with concentration of handloom weavers in the surrounding areas may be started in the first instance and the same may be extended to other places in the light of experience gained. Efforts should be made to maximise the turnover and reduce the marketing costs so that the price may be minimised and the products may be readily acceptable to the consumers.
81	6.19	The Committee note that one of the main reasons for frequent accumulation of stocks is that in many cases the production of cloth is not

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		related to the market demand. The case of the weavers in Vidharba who are still producing eight metres coloured sarees inspite of the fact that these sarees are gradually going out of demand, is a clear instance how the production is not aligned to the demand. The Committee would like to point out that there are frequent changes in fashions and designs of cloth which affect the market demand of textiles. Until and unless the production of handloom cloth keeps pace with the changes in designs and fashions etc., the sale of these products is bound to suffer. This emphasises the importance of market intelligence and continuous feedback of information regarding changes in fashions and designs etc. to the actual producers of handloom cloth. The Committee, therefore, recommend that Government should organise a mechanism which should be inbuilt into the wholesale and retail system of marketing to find out the latest trends in designs and fashions etc. and consumer preferences. In addition, a special survey by highly trained persons wherever required should also be conducted at selected places to assess such changes in consumers demands and preferences. The Committee further recommend that the State Handloom Corporations and the Weavers Service Centres should also play an important role to this mechanism of feed-back of market intelligence to the weavers.
82	6.20	The Committee further note that at present sufficient publicity is not being given to the handloom products. The Committee recommend that Government should, in consultation with the State Governments and State Handloom Corporations evolve a comprehensive strategy for adequate publicity of handloom products by display of hoardings at railway stations and important public places, cinema slides etc.
83	6.21	The Committee note that in order to promote the marketing of handloom products, the All

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		India Handloom Fabrics Marketing Cooperative Society was set up in 1955 and this society has set up Handloom Houses in Bombay, Madras, Calcutta, New Delhi Bangalore and Ahmedabad. The Handloom House in Ahmedabad was the latest to be set up in 1969 and since then no Handloom House has been set up. It is, however, proposed to set up a Handloom House in Hyderabad. The Committee are surprised to note that although the All India Handloom Fabrics Marketing Cooperative Society is the only major body for the marketing of handlooms fabrics in the country, this society has been able to open only six handloom houses in the country and that also only in the metropolitan cities and since 1969 no new handloom house has been opened. The total sales of the society amount to Rs. 610 lakhs only which forms a very small fraction of the total turnover of handloom products in the country. The Committee note that the main inhibiting factor in the opening of more handloom houses is that these Handloom Houses are opened in spacious accommodation and are air-conditioned and thus require a lot of financial investment. The Committee fail to understand why the All India Handloom Fabrics Marketing Cooperative Society cannot open Handloom Houses in smaller accommodation to meet the demand of the people in smaller towns. The Committee recommend that the All India Handloom Fabrics Marketing Cooperative Society should prepare a master plan for opening handloom houses on a modest scale in important district head-quarters in a phased manner so that the handloom products can be mraketed on a larger scale and the overhead expenses may be reduced to the minimum. It should be ensured that these handloom houses stock varieties of cloth from all over the country which are in local demand.

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84	6.22	The Committee recommend that stalls should be opened in festivals, fairs and exhibitions to encourage the sale of handloom products.
85	6.23	The Committee consider that there is a vast market for handloom cloth in rural areas and moffussil towns which has not been fully tapped. It is, therefore, of utmost importance that close attention is given to meet the clothing needs of these people by supplying them cloth of requisite quality, design and fashion to meet their local demand. It should be ensured that the quality of the cloth is good and the price is not only competitive but cheaper. The Committee recommend that concerted drive should be organised to tap the vast potential of the rural market in the country by demand survey of the various areas to ascertain their consumption pattern and by providing market outlets for stepping up the sale of handloom products.
86	6.39	The Committee note that one of the steps taken by Government for promoting the sale of handloom cloth is the grant of rebate on the sale of colth. The rebate is granted at the rate of 5 per cent throughout the year and 10% for a total period of 15 days in a year. A special rebate of 20 per cent was also allowed for a period of three months *viz.*, December, 1975 and January and February, 1976 to liquidate the accumulated stock of handloom products. However, from the representation received from a number of non-official organisations, the Committee note that there have been complaints of widespread malpractices in the working of this rebate system in collusion with Government officials. The House Committee of the Andhra Pradesh Legislative Assembly in their report submitted in July, 1976 has also pointed out grave irregularities like sale of powerloom cloth as

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		handloom cloth and submission of false claims etc. for grant of rebate subsidy. The Committee are greatly concerned that such irregularities were allowed to take place in the working of the schemes.
87	6.40	The Committee feel that the rebate scheme in the present form has failed to serve the objective for which it was introduced. The Development Commissioner for Handlooms in his evidence stated that the rebate on the sale of handloom cloth was not always reaching the weaver, so it was not desirable to continue it for long. Instead it was considered advantageous to give the raw material to weavers at a lower price. The Committee recommend that Government should consider this matter critically in consultation with the States and intimate alternative measures for helping the handloom weavers. The Committee feel that one such measure may be to supply yarn to the handloom weavers at subsidised rate as it will ensure that the benefit of the rebate reach the actual weavers and the sale of handloom cloth will increase considerably because of the consequent reduction in its price. The Committee recommend that yarn at subsidised rates should be supplied to the Handloom weavers directly through Apex societies and Handloom Cooperative and the weavers getting such yarn should be required to supply their end products to these Corporations to guard against the misuse of such subsidised yarn for other purposes. The Committee are convinced that if the various measures being taken for the development of the handloom industry are implemented with real zeal and determination and in their true spirit, there may be no need for interim measures like grant of rebate etc. for ensuring the sale of handloom cloth.

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88	6.41	The Committee note that the High Powered Study Team on the Problems of Handloom Industry (Sivaraman Study Team) had recommended in their report submitted in July, 1974 that the rebate should be gradually abolished within a period of three years. The Committee are surprised to note that although the recommendation of the Study Team has been accepted by Government in principle, no concrete action in this direction has been taken on the ground that as the market for handloom cloth has been sluggish the abolition of the rebate will have an adverse effect on the sale of handloom cloth. The Committee are not convinced with this argument as the objective can be easily achieved by granting rebate to handloom weavers in some other form *e.g.* by supplying yarn at cheap rate etc. The Committee recommend that as Government have accepted the recommendation of the Sivaraman Study Team regarding the gradual abolition of rebate, steps should be taken to implement this recommendation in right earnest at an early date.
89	6.42	The Committee further note that in many of the States, the rebate granted by the cooperative societies has not been reimbursed to them so far and there are large outstandings on this account. This has adversely affected the financial position of these societies as a large portion of their working capital has been blocked. However, the Department of Textiles has claimed that although the Central Government's share had to be paid on receipt of audited accounts. 90 per cent of the Central Government's share has been paid on the basis of statements of sale received from the State Governments and the balance 10 per cent will be paid after receipt of statement of account and an amount of Rs. 2.23 crores has already been paid to 10 State Gov-

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		ernments. The Committee fail to understand why there should be any delay in the reimbursement of this rebate when a decision to grant such rebate was taken by Government and the share of Central Government has already been reimbursed. The Committee recommend that the Development Commissioner for Handlooms should take up the matter immediately with the State Governments and persuade these State Governments to reimburse the amount of the rebate to the cooperative societies at an early date.
90	6.53	The Committee note that to make available some popular varieties of cloth required for mass consumption at reasonable prices, Government had introduced controlled cloth scheme in 1964. The Committee have also noted that the production of mills under this scheme has always fallen short of the agreed minimum and even now the weaker sections of society have not been able to get their requirements of controlled cloth. The Committee further note that the Government have partially transferred the production of controlled varieties of cloth especially dhotis and sarees to handloom sector to meet the requirements of vulnerable sections of society and some of the States have already started the production of Janta Dhotis and sarees from October, 1976. The Committee further note that a subsidy of Re. 1/- per metre is being given for the production of these controlled varieties of cloth and it is expected that out of a total obligation of 400 million metres to be transferred to the handloom sector, the production will be about 25 to 30 million metres per quarter towards the end of 1977. Although the scheme is still in an experimental stage, there are already complaints of losses being suffered because of rise in yarn prices etc. The Committee feel that Government should have started the scheme in the first

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		instance on a pilot basis and kept the progress of the scheme under strict review to study the deficiencies in the scheme and take timely remedial measures.
	6.54	The Committee would like to point out that the ultimate success of the scheme would depend upon the extent to which it would be possible to supply good quality cloth, acceptable to the people belonging to the vulnerable sections of society, at controlled price. The Committee, therefore, recommend that Government should keep a close watch on the implementation of this scheme and take suitable steps to ensure that the quality of products under the scheme does not deteriorate and adequate quality control is ensured. The Committee further recommend that no increase in the price of controlled variety of cloth should be allowed otherwise it will defeat the very objective of the scheme.
91	6.55	The Committee would like to point out that the transfer of the controlled cloth obligation to the handloom sector should not result in allowing the textile mills to evade their statutory obligation of producing controlled cloth for the masses at fixed price and the obligation on the mills for compulsory statutory production of a minimum percentage of their produce in the form of controlled cloth should continue. The Committee recommend that the textile mills should not be allowed to get away from their obligation by payment of fine only.
92	6.60	The Committee note that there is vast scope for marketing of ready made garments in the country and abroad and with our large manpower, it would be possible to ensure production of ready-made garments in the handloom sector at competitive price to meet the clothing needs of the people. The Committee recommend that

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		Government may evolve a scheme of production of ready-made garments in the handloom sector by utilising the spare time and capacity of house-wives etc., and arrange for the marketing of these ready-made garments through Apex Societies and Handloom Houses. The Committee recommend that the experience gained by Khadi and Village Industries Commission in this regard may be utilised and sale of ready-made garments organised accordingly.
293	6.61	The Committee note that there is an increasing demand for the fabrics of mixed blends of cotton and synthetic yarn in the country and the use of garments of these mixed blends has spread to remote areas and villages, etc. Moreover, in view of the shortage of cotton in the country due to fall in production and high price of cotton in the international market, increased use of synthetic yarn has become inevitable in the production of cloth. With the setting up of Indian Petro-chemicals Ltd., the Committee feel that it should be possible to meet the requirements of synthetic yarn/raw materials in the country to a great extent. The Committee have no doubt that the difficulties in the production of mixed fabrics would be overcome soon.
294	7.25	The Committee note that in order to protect the handloom industry from the more powerful powerloom and mill sector, Government have been following a policy of reservation of certain items of production in favour of handlooms and that at present production of ten items is exclusively reserved for the handloom sector only. The Committee are, however, distressed to note that these reservation orders are not being enforced effectively and that there are common complaints of large scale violations of these Reservation Orders by the powerloom sector. The Committee feel that by allowing the violations

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		to go unpunished, the very purpose of issuing these Reservation Orders has been defeated. Even the representatives of the Ministry have admitted that the enforcement of these Orders has not been really effective in certain areas so far. The Committee feel that this is a very distressing state of affairs and needs to be remedied without loss of time.
	7.26	The Committee note that the enforcement of these Reservation Orders has been left to the State authorities. Although the State Governments have sufficient powers under the Essential Commodities Act to seize the goods and take action both against the sellers and the producers, there have been very few cases where such violations have been detected and deterrent action taken against the offenders. The Committee are surprised to note that although in some States hundreds of cases of violation of these Reservation Orders were detected, prosecution was not launched even in a single case. The Committee cannot but reach the conclusion that the State authorities have not shown the necessary seriousness about enforcement of these reservation orders with the result that offenders have a feeling that they can indulge in malpractices with impunity, thus harming the interest of handloom industry. The Committee recommend that the Central Government may immediately impress upon the State Governments and all other authorities concerned the imperative necessity and desirability of strict enforcement of the Reservation Orders and taking deterrent action against all those found guilty of indulging in such violations.
95	7.27	The Committee feel that the field officers of the Development Commissioner for Handlooms should take an active part in helping the State authorities to detect violation of Handloom Re-

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		servation Orders. In this context, the Committee need hardly point out that the field organisation of Development Commissioner for Handlooms which is bound to be strengthened by transfer of staff from the Textile Commissioner, who was hitherto performing these duties, should take this up as a challenging and essential part of their duties and do their best to see that the Reservation Orders are observed in letter and spirit and those who flagarantly violate them are brought to book with the help of the State authorities.
96	7.28	The Committee have drawn specific attention to the findings of the Committee appointed by Andhra Pradesh Legislature which has highlighted the fraudulent practice of passing of powerloom cloth manufactured in other States as handloom cloth in order to avail of the subsidy. This perhaps is representative of the malpractice which is being indulged in by other States. The Committee are not able to accept the reply of the Department of Textiles that it is not possible to check such violations as according to them, once a cloth is produced it becomes very difficult to determine whether the cloth is produced on handloom or powerloom.
97	7.29	The Committee were informed during evidence that, apart from administrative difficulties there were legal difficulties in the enforcement of the reservation orders before April, 1977. Those orders lacked force as people had challenged them in courts and obtained stay orders and the cases were pending in courts for several years. The Committee note that the Ministry have issued new reservation orders in April, 1977, removing some of the legal lacunae pointed out earlier in the orders. But certain other aspects of these orders, like their effect on the Fundamental Rights and the competence of Tex-

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		tile Commissioner to issue the orders, are still under dispute in courts. The Textile Commissioner, in his evidence before the Committee, expressed the view that "the administration as a whole is being asked to implement something which on the face of it has become extremely difficult to operate on the legal, enforcement and economic side." He suggested that "we do need to maintain a legislation perhaps on the statute book but it will have to be much better considered legislation than it is today." The Committee would like that Government should make a comprehensive review of the entire position, legal and administrative, relating to the issue and enforcement of reservation orders and take necessary measures, including enactment of legislation, if necessary, to remove any doubts about the legality of these orders so as to make them effective and binding and thus help the administrative agencies to enforce them without any difficulty.
98	7.30	The Committee feel that the suggestion made by the Textile Commissioner before the Committee that, apart from reserving certain items for handloom sector, specific items of production should also be earmarked for powerloom sector, deserves a fair trial as it may thereby not be tempted to encroach upon the areas of production reserved for handloom.
99	7.31	The Committee also note that the question of investing the Textile Commissioner or any other agency with powers to award summary punishment to powerloom owners for violation of the reservation orders is under the consideration of the Ministry of Commerce and Ministry of Law. The Committee would like this matter to be finalised expeditiously and adequate powers vested in the Textile Commissioner or any other agency so as to enable him to enforce these re-

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		servation orders effectively and without any difficulty.
100	7.32	The Committee note that one of the measures taken by the Government for enforcement of Reservation Order is that powerloom owners are required to stamp their permit number on the cloth produced by them. Apart from the fact that there are still a very large number of unauthorised powerlooms which need to be brought within some regulatory network, there is imperative necessity of ensuring that the powerloom owners do in practice observe this order by invariably stamping their permit numbers on all varieties of cloth produced by them, particularly varieties which can be mistaken for those reserved for production on handlooms. Strict and effective check should be exercised in that behalf by the field staff of the Textile Commissioner and the State authorities. The Committee would also urge that a continuous watch should be kept in the matter so as to take concerted and concrete measures to see that powerloom cloth is not sold as handloom cloth not only to the detriment of the interests of handloom weavers but also in getting inadmissible subsidy at public expense and defeating the very objective of reserving certain varieties for the handloom sector.
101	8.17	The Committee note that handloom products have emerged as a major foreign exchange earner in recent years and the earnings from the export of handloom products have increased from Rs. 11.43 crores in 1967-68 to Rs. 188.5 crores in 1975-76. The Committee consider that the experience of the past years convincingly establish that the country has a potential for achieving the rising level of exports of handloom products in the years to come, thereby earning the much needed foreign exchange as handloom

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		products have found increasing consumer acceptance in the affluent countries. The Committee, therefore, urge that Government should evolve a comprehensive export strategy in respect of handloom products in order to ensure that not only the present quantum of exports continues, but there is also continuous increase in the export and foreign exchange earnings from the handloom products.
102	8.18	While the Committee are glad that the handlooms have found acceptance in the affluent countries, the Committee would like to remind the authorities that the existing demand is no guarantee that in the years to come it will continue at this level. In the sophisticated markets of foreign countries there has to be continuous study by knowledgeable and sensitive persons well versed in the field about the tastes and trends of fashion and consumer requirements and feed back to the handloom sector at home so that newer designs and innovations could be incorporated in the manufacturing programme to meet the demand and widen its acceptance by satisfying quality and design.
	8.19	The Committee have no doubt that if earnest efforts are made to study the consumer requirements and marketing trends in USA and Germany, it should be possible not only to check the fall in exports of handlooms but to increase and improve upon them by increasing their consumer acceptance by quality and attractiveness of designs. It is, therefore, of the utmost importance that Government should devise in consultation with the handloom sector suitable mechanism for study and feedback of the information of the market fashion and trends, in order to regulate and modify production accordingly.
103	8.20	The Committee note that at present there is no satisfactory arrangement for the continuous

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		survey of market demand and its flow-back to production units in the country. The Committee, therefore, recommend that Government should immediately introduce a mechanism for the study of consumer demands and changes in fashions of foreign consumers and its flow-back to the domestic producers on a continuous basis. The Committee recommend that our Trade Representatives in foreign countries and the staff of Commercial Attaches may be entrusted with the responsibility of keeping the authorities in India informed of all such developments in foreign markets and the flow-back of such information to the domestic producers. The Committee need hardly emphasise that this mechanism for flow-back of market intelligence should function in such a way that there is no time-lag in sending the information as in view of the frequent changes in fashions etc. any delay in flow-back of information, will prove deterimental to the exports of handloom products.
104	8.21	The Committee regret to note that in many cases the export of handloom products suffer because of the absence of a strong production base in the country with the result that the domestic producers are not able to meet the demands of foreign countries. Although there is considerable demand for ready-made garments in foreign countries, there is not enough production of the fabrics in the country. The clearly underlines the need to strengthen the production base of handloom products in the country particularly those which are required for meeting the export requirements. Now that the Government have launched a number of Export Production Centres in the country, the Committee feel that there should be no difficulty in running these production units in such a way that it would be possible to adjust the production in accordance with the changes in foreign demand and the

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		foreign demand could be met in full without loss of time. The Committee cannot too strongly stress the need for taking speedy action in this regard as timely and well coordinated action is the essence of the matter.
105	8.22	The Committee note that the main difficulties experienced by the production units engaged in the production of export varieties are the irregular supply of yarn and dyes and chemicals and frequent changes in their prices with the result that the producers are not able to quote stable prices for a period of time and are sometimes not able to supply goods for export in time earning a bad name for our exporters. The Committee have, already emphasised the need for ensuring regular and timely supply of yarn and dyes and chemicals at fixed prices for the handloom industry. The Committee would like to point out that the need for these measures is still more necessary in the case of such units which are engaged in the production of exportable products. The Committee, therefore, recommend that Government should immediately ensure the supply of yarn and dyes and chemicals of requisite quality at fixed prices to such units so that the export of handloom products do not suffer.
106	8.23	The Committee feel that as there is considerable increase in the demand for handloom products in the foreign markets, it is very necessary that suitable steps are taken to ensure that the quality of handloom products do not deteriorate and that only products of requisite quality and specifications are exported so that the reputation and good name of Indian handloom products in foreign countries does not suffer. The Committee note that some unscrupulous elements, taking advantage of the considerable increase in the expot of handloom products, have entered the

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		export market and there are already some complaints regarding the quality of handloom products exported and the Powerloom cloth being passed on as handloom cloth. The Committee need hardly stress that a country can sustain her traditional markets and develop new markets only if it ensures that her exports are of dependable and proven quality and that the quality of goods exported conforms to the quality contracted for. The Committee suggest that Government should take all possible measures to generate deep-rooted quality consciousness in Indian exporters, who should be made to realise that only on the basis of quality of handloom exports, India would be able to sustain her traditional markets and develop new markets. The Committee would stress that quality control should not only apply to finished products but quality consciousness should be inculcated at all stages of production starting from raw-materials to designing, production and finish of products. This underlines the need for proper quality control and inspection. The Committee note that already such an inspection is compulsory in the case of all such exporters who want to get cash assistance for their exports.
103	8.24	The Committee would like Government to consult the handloom sector and devise an independent machinery for exercising effective quality check on all exports from handloom sector. In case where a serious complaint is received from foreign importer about the quality of handlooms exported, Government should have the matter thoroughly investigated and take deterrent action where called for against the party. The Government may also consider whether in the case of those against whom persistent complaints are received, it may either be made

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		obligatory for them to have their goods inspected by Government organisation before exports or they may be debarred from making any exports. The Committee need hardly point out that the arrangement would have to be such that it is prompt and fair so as to win the confidence both of the exporters and the importers.
107	8.25	The Committee also stress the need for high quality and attractive packing of exported goods so that such goods can catch the appreciative attention of the consumers abroad.
108	8.26	The Committee further note that there is great scope for increasing the export of woollen carpets in foreign countries. As the production of woollen carpets in Iran has been going down for many years, there is considerable scope for India to step up the export of woollen carpets. The Committee note that Government have taken certain measures like training of workmen, effecting improvement in quality and dyeing etc. to encourage the export of Indian woollen carpets to foreign countries. The Committee stress that Government should take concerted measures to step up maximum advantage of the present situation and promote the export of Indian carpets to foreign countries.
109	8.27	Apart from production of woollen carpets, India has developed expertise and the skill to manufacture carpets of most intricate design and exotic quality which can fetch high unit value. The Committee feel that with the fading out of Iran as a supplier of these quality carpets India with its traditional expertise skill and manpower can benefit from the opportunity by expanding the supply of these carpets. The Committee would like Government to have the matter studied in depth with the help of exporters and carpet manufacturers so as to devise

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		package of measures to encourage export of high quality carpets. The Committee need hardly point out that time is the essence of the matter and, therefore, it is imperative that the study is completed within a short period and that follow up action is also initiated without loss of time. The Committee need hardly emphasise that quality control should be built into the export promotion measures so as to make sure that in stepping up of exports, quality is in no way, diluted so as to win the confidence of the foreign markets.
110	8.36	The Committee note that the Handloom Export Promotion Council was set up in 1965 with headquarters at Madras and the main functions of the Council are promotional in character. For the promotion of the exports of handloom products the Council have participated in a number of Trade Fairs/Exhibitions in foreign countries, have sponsored a number of delegations/Sales-cum-Study Teams to foreign countries and taken up publicity programme for handloom products.
	8.37	The Committee note that at present the Committee of Administration of the Council does not have representation from the various interests and regions. The Committee have been informed that the reconstitution of the Handloom Export Promotion Council is already under the consideration of the Government. The Committee recommend that early steps should be taken to reconstitute the Committee of Administration of the Handloom Export Promotion Council in such a way that due representation may be given to the various interests representing major items of export; care being also taken to see that various regions of the country are adequately represented.
111	8.38	The Committee note that the headquarters of the Export Promotion Council are located in

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		Madras, but there are no offices in the regions. In view of the fact that the handloom products are being exported in a big way from all over the country, the Committee suggest that adequate facilities for serving the regional interests of handloom exports should be provided which may either be done by opening compact cells of the Council in leading regions or by designating a cell in the Directorate of the Development Commissioner for Handlooms.
112	8.39	The Committee would like to point out that the Handloom Export Promotion Council has to play an important role in promoting the export of handloom products to foreign countries. The first and foremost task of the Council should be to evolve a mechanism for conducting market surveys and study of foreign tastes and changes in fashions etc. in these countries and to keep the domestic producers informed of these changes so that the domestic production may be aligned to the demand in the foreign markets. The Council should also ensure that the handloom products exported to other countries are of the requisite quality and specifications so that the handloom products may not come to adverse notice in foreign markets.
113	8.40	The Committee further note that Handloom Export Promotion Council has been sending delegations/Sales-cum-Study Teams to some of the countries to promote the export of handloom products in these countries. The Committee have been informed that the delegations/Sales-cum-Study Teams submit their reports to Governments. The Committee need hardly point out that these reports should have been studied carefully soon after receipt in order to take proper follow-up action. In case this has not been done, the Committee suggest that the reports received during the last two years may be thoroughly examined and follow-up action

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		taken thereon within three months. In future institutional arrangements may be made to ensure that as soon as a report of visiting team is received it is scrutinised as per a time bound programme and necessary follow-up action taken without loss of time.
114	8.41	The Committee note that although the Export Promotion Council was set up in 1965, no review of the working of the Handloom Export Promotion Council has been done so far. The Committee feel that a review of the working of the Handloom Export Promotion Council is overdue. The Committee recommend that Government should get the working of the Handloom Export Promotion Council evaluated by an independent body at an early date.
115	8.42	The Committee further note that the Handloom Fabrics Cooperative Marketing Society is also engaged in promotion of exports of Handloom products in the foreign markets. In this connection, the Committee would like to invite the attention of Government to the recommendations made in their 163rd Report (1961-62) in which the Committee had stated that they were not quite convinced of the need for having two separate bodies for dealing with the export of Handloom products *viz.*, Handloom Fabrics Marketing Cooperative Society Ltd. and Handloom Export Council. The Committee felt that one common organisation should be able to handle exports to all the countries. The Committee would like to emphasise that the Government should ensure that there is no duplication of efforts in the field of export promotion between the Handloom Export Promotion Council and the Handloom Fabrics Marketing Cooperative Society Ltd.
116	8.43	The Committee note that the Export Promotion Council has participated in a number of

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		exhibitions and fairs to promote the export of handloom products. The Committee feel that exhibitions and trade fairs constitute a very powerful and effective means of projecting country's image and developing exports among various countries by attracting buyers from different parts of the world. They not only strengthen the already established links but also create new channels and possibilities for the growth of exports. The role of exhibitions and trade fairs in stepping up the country's export cannot be minimised. In the light thereof, Government may arrange for participation by the handlooms in other important trade fairs and exhibitions. The Committee would however, like to stress that participation should not be as a matter of routine but in every case a conscious decision should be taken after consideration of all relevant factors and there should be an in-built arrangement to evaluate the results achieved by way of increased exports after the fair/exhibition is over. The Committee recommend that Government should evaluate the increase in exports achieved in monetary terms as a result of participation in fairs and exhibitions abroad vis-a-vis expenditure incurred in such participation.
117	8.44	The Committee would like to commend the example of International Trade Council of Japan which has played a significant role on behalf of the Japanese trade and industry in identifying the scope for promotion, feeding back significant information to the home manufacturers and thus acting as eyes and ears of the trade and industry. The Estimates Committee have, in their earlier reports on Export Promotion Measures etc. commended this organisation for emulation in our country. The Committee feel that in the case of handloom such an organisation can play a significant part. The Com-

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		mittee would like to add that it is not their intention that yet an additional body should be set up abroad for this purpose. What they desire is that there should be a proper and well informed and well equipped compact organisation in export markets of interest to India so as to provide meaningful and timely information about the market trends, consumer preferences etc. There is no reason why such an organisation may not be multi-functionary in its coverage and interests so as to minimise the cost and maximise the benefits.

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